Austria Sch22	Indonesia ... Rp3100	Portugal Esc120
Bahrain ... Din0.650	Israel NS3.50	S.Arabia Rls7.00
Belgium BFr48	Italy L1700	Singapore ... S$4.10
Canada ...... C$1.00	Japan Y600	Spain Pta145
Cyprus ...... C£0.90	Jordan Fils.500	Sri Lanka ... Rup30
Denmark . DKr10.00	Kuwait Fils.500	Sweden SKr9.00
Egypt .... E£2.25	Lebanon .. S£125.00	Switz SFr2.30
Finland Fmk7.00	Lux LFr48	Taiwan ...... NT$65
France FFr6.50	Malaysia ... Rlm4.25	Thailand Bht50
Germany ... DM2.30	Mexico Pe300	Tunisia Din0.800
Greece Dr120	Morocco Dh6.00	Turkey L600
Hong Kong... HK$12	Neth Fl3.00	UAE Dh6.50
India Rup15	Norway ... Nkr10.00	USA $1.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,612 Wednesday August 10 1988 D 8523 A

TWO KOREAS
Scaling down the ideological war
Page 2

World News

Burma troops shoot 36 in bid to quell Rangoon riot

The Burmese Government struggled to regain control of the streets of Rangoon as troops, under orders to shoot to kill, fired into crowds of thousands of demonstrators calling for the overthrow of President Sein Lwin.

The Government admitted 36 students, workers and buddhist monks shot dead, but diplomats said the death toll could rise above 100. State radio said security forces had dispersed demonstrators and arrested nearly 1,500. Page 18

Sudan flood crisis

Aid agencies around the world began co-ordinating efforts to provide assistance to Sudan where floods have left 1.5m people homeless and paralysed the capital, Khartoum. Authorities warned of cholera and typhoid epidemics and communication lines to the city remained cut. Page 18

Convoy ambushed

A contingent of 10,000 Soviet troops which left Kabul last week was ambushed by 5,000 Mujahideen. Heavy fighting continued in Afghanistan's Paghman province south of the capital. Page 3

Israel raids bases

Israel launched its heaviest air raid this year on Palestinian bases in Lebanon to silence a radio station broadcasting to the occupied territories. At least three people were killed.

Riots in Belfast

Northern Ireland police used plastic bullets and live ammunition in clashes with Irish nationalists on the 17th anniversary of internment without trial in Northern Ireland. Police arrested 42. Page 8

Yazov accepts

Soviet Defence Minister Dmitri Yazov accepted an invitation from US Defence Secretary Frank Carlucci to visit the United States, the Pentagon said.

Debt talks

A delegation from Argentina, between $850m and $900m in arrears on interest payments to foreign banks, met bank creditors in New York to discuss bank finance. Page 4

S Africa gunfight

A South African policeman and a suspected member of the African National Congress were killed in a gunfight near the border between Transvaal province and Botswana.

Kurds accuse Iraq

Kurdish leader Massoud Barzani said heavy fighting was raging in northeastern Iraq between his guerrillas and Iraqi Government troops using chemical weapons.

Cosmonaut dies

Anatoly Levchenko, Soviet cosmonaut who took part in a mission to the Mir space station last December, has died "of a grave illness" Tass said. He was 47.

Typhoon hits China

A typhoon hit the east China province of Zhejiang, killing 32 people and injuring 468, with 71 missing.

Texas Paris

French oil group Elf Aquitaine began drilling a 2,000m exploratory well in the Paris suburb of Ivry-Sur-Seine, the first such well, on a permit Elf shares with BP and Total which could lead to a search for oil within the capital city.

Business Summary

Iraq may buy $900m-worth of cars from Brazil

AUTOLINA, holding company for Ford and Volkswagen's Brazilian operations, is negotiating a contract to supply Iraq with 100,000 VW cars and spare parts for its existing fleet in a deal which could be worth $900m and possibly up to $1bn. Brazil has recently contracted to supply Iraq with other goods, including trucks and tractors, worth $1.25bn. Page 18

CANADIAN PACIFIC, Canada's largest company, which has undergone a comprehensive restructuring over the past three years, achieved a 51 per cent increase in second quarter profits from C$152.5m to C$230.4m (US$192m) following a sharp improvement in earnings from forest products, property and hotels and transport. Page 20

AUSTRALIA must keep up its efforts to curb spending and wages and to increase its ability to compete with the rest of the world, says an OECD survey. Page 3

THE LIMITED, pioneering US womens' wear retailer, suffered a sharp fall in first half earnings from $102.6m or 54 cents a share to $54.6m or 30 cents, blaming consumer uncertainty and changing fashion trends. Page 20

AXEL SPRINGER executives are negotiating with Hungary for the West German publisher to set up a publishing plant in Budapest. Page 2

TEXAS AIR, largest US airline holding company, saw net losses for the second quarter soar from $27m or 83 cents a share to $255.9m or $6.67, largely because of losses at its Eastern and Continental airline subsidiaries. Page 20

LINOTYPE, West German printing technology company floated off last year from its former parent Allied Signal of the US, increased first half after-tax profits by almost 21 per cent to DM24.6m ($12.8m). Page 21

SOUTH KOREA'S continuing row over financial reform intensified when the Monetary Board, which controls the central bank, asked the government to give it authority over financial liberalisation. Page 22

SCHERING, West Berlin-based pharmaceuticals and chemicals company, increased its earnings by 5 per cent to DM134m ($70m) for the first six months. Page 21.

COMMODORE, US personal computer manufacturer recovering from heavy losses in the mid-1980s, almost doubled its net profits from $28.6m or 89 cents a share to $55.8m or $1.75 in the fiscal year to June 30. Page 20

NIXDORF COMPUTER of West Germany raised its turnover by 11 per cent to DM2.1bn ($1.1bn) in the first half of this year but the chairman warned profits were unsatisfactory and costs needed to be brought under stricter control. Page 19

REAGAN Administration began lobbying to prevent a bill demanding tough textile import curbs, which would restrict import growth to 1 per cent a year, from being passed by Congress. Page 4

TADIRAN, Israeli defence electronics company, is to supply an unnamed South American country with $135m worth of military equipment. Page 4

Fed raises discount rate to dampen inflation pressures

By Lionel Barber in Washington and **Janet Bush** in New York

THE FEDERAL Reserve yesterday raised its key discount rate to 6.5 per cent from 6.0 per cent with immediate effect.

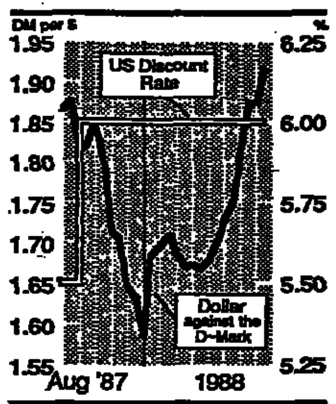
The rise – the first since last September – is expected to lead to increases in US mortgage and other interest rates and may signal a setback to Vice-President George Bush's already struggling presidential campaign.

The increase led to strong upward pressure on the dollar, raising questions about efforts by the Group of Seven industrialised countries (G-7) to keep the US currency from rising, European diplomats said.

Financial markets had forecast that the Fed under Mr Alan Greenspan, its chairman, would tighten monetary policy and nudge up short-term interest rates only gradually – so yesterday's unanimous decision by the six-strong Fed board came as a surprise.

The trigger appears to have been a bullish US employment report last Friday which revealed strong jobs growth in July and a sharp upward revision to June's employment figures. Wall Street, worried about a resurgence in inflation, has, however, been pressing for a rise for at least two months.

In a brief statement, the Fed said: "The decision reflects the intent of the Federal Reserve to reduce inflationary pressures. The action was also taken in light of the growing spread of market interest rates over the discount rate."



The Fed's timing – one week before the Republican national convention opens in New Orleans – defied many analysts' predictions that the central bank would not act during such a politically sensitive period.

However, one senior former Fed official pointed out that a half-percentage point rise was "not particularly courageous." It could head off the need for a full percentage point rise nearer to the election, he said.

Mr James Baker, the outgoing Treasury Secretary who will become Mr Bush's campaign chairman next week, faces an uphill struggle. The Vice-President is lagging by as much as 17 points in the polls behind Governor Michael Dukakis of Massachusetts, his Democrat rival.

Mr Kevin Phillips, a Republican consultant in Washington, said the Fed move would damage the Bush message of economic prosperity and stability: "Mr Greenspan is suggesting that there are problems in the economy which the Republicans would rather not have discussed."

The White House expressed disappointment at the increase in interest rates, but said there were sound reasons for the action which it portrayed as a "temporary blip".

The Fed's specific reference to inflationary pressures appeared aimed at reassuring financial markets that Mr Greenspan, appointed last year by President Ronald Reagan, would be as dogged an inflation fighter as his predecessor

Continued on Page 18
Lex, Page 18; UK gilts market, Page 9; Markets, Page 38

Sigh of relief on Wall St

THE US Federal Reserve Board yesterday delivered its Declaration of Independence to world financial markets and to its partners in the Group of Seven leading industrial nations, write Janet Bush and Lionel Barber.

The Fed's decision to raise its highly visible discount rate yesterday to 6.5 per cent from 6 per cent means that fighting inflation has taken precedent over fighting the trade deficit, said one European diplomat, a view shared by many on Wall Street.

The Fed's move cannot be seen in isolation from the special circumstances of a presidential election year. But though a half-point rise in interest rates now may cloud the rosy vision of the US economy, it may head off the need for a more embarrassing full point increase nearer the election.

Financial markets had seen ample justification for a rise in the rate for at least two months. Manufacturing production has been booming, exports have been explosive and there have been clear signs of capacity constraints in some pockets of industry and some potentially inflationary tightness in the labour market.

The Fed made it clear it was aware of inflationary dangers in the economy and issued many warnings. And yet Mr Alan Greenspan, the Fed Chairman widely criticised for raising the discount rate to 6 per cent last August to defend the dollar, hinted that short-term interest rates could continued to rise without triggering a discount rate increase.

Even after last Friday's patently strong employment and earnings figures, the Fed did not move.

A sneaking suspicion began to take hold that the Fed was acting as an unofficial arm of the Treasury to get Vice-President George Bush elected to the White House.

The conventional wisdom was that the Fed would avoid a discount rate rise at all costs, even after the July unemployment figures, because of the potential political damage.

Yesterday's move was meant to bury those suspicions, and to underline that the Fed would not put politics before its domestic monetary duties. But by highlighting the Fed's anti-inflationary stance early, Mr Greenspan may do less damage to Mr Bush's candidacy in the longer term.

"Alan Greenspan has sent a signal to the markets and to the world that he is playing the thing on the straight and narrow," said Mr Robert Chandross, chief economist of Lloyds Bank in New York.

"Volcker Mark II," was how Mr Kevin Phillips, a leading Washington Republican political consultant, described the Fed's decision to raise the discount rate. In his view, the move amounted to a strong show of independence from the Reagan Administration in election year. "This is Mr Greenspan's big shot to get into the history books," he said.

This judgment may be a little exaggerated because Mr Greenspan's Fed only raised the discount rate after continuous pounding on the table from Wall Street, and yesterday there was a palpable sense of relief in New York that the Fed had at last done what the economy said it should have done for some months.

"This is not going to blow the economy off the rails," said Mr Rob Johnson, chief economist at the Senate Banking Committee, "because it is not outside the realm of expectations."

Few on Wall Street perceive the increase in the discount rate in isolation as a signal of a more aggressive anti-inflationary stance by the central bank.

The rise to 6.5 per cent was a following move to bring the discount rate into line with other short-term interest rates, which have moved considerably higher this year. Markets will now be watching the Fed's money market operations closely for signs that the central bank will move to push short-term interest rates, notably the Fed Funds rate, higher.

Mr Mickey Levy, chief economist at First Fidelity Bancor-

Continued on Page 18

UK spurns Kuwaiti pledge not to increase BP stake

By Max Wilkinson in London

THE KUWAITI Government yesterday announced that it had signed a legally binding undertaking not increase its 21.7 per cent stake in British Petroleum and to refrain from trying to influence the company's policies for its own ends.

The British Government, however, said it was not party to the document, and yesterday returned it without any comment. Lord Young, the Trade and Industry Secretary, has told the Kuwaitis that he cannot have anything to do with such a document while the Monopolies Commission is continuing its enquiry into the Kuwaiti stake in BP.

Lawyers acting for the Kuwaiti Government said yesterday that the deed of covenant, made out in favour of the Secretary of State for Trade and Industry, was intended to have a favourable influence on the commission in advance of the publication of its report on the Kuwaiti stake in BP, due early next month.

The deed pledges that the state-owned Kuwait Investment Office will not exercise the voting rights of more than 14.9 per cent of its shares in BP. It says that it will not increase its stake in BP, and that if it reduces its holding to 20 per cent, it will not again increase it. The Kuwaitis have also pledged that they will not be seeking a representative on the BP board, and will not oppose the election of directors put forward by the board.

The deed says: "Kuwait will use its interest in BP only to protect its investment and not to further any other commercial or political interest of Kuwait."

These provisions give legal expression to undertakings which the KIO has made in evidence to the Monopolies Commission and which Kuwaiti ministers have given more informally to the British Government.

The status of the deed, unprecedented while a Monopolies inquiry is still in progress, is that of a legally binding promise, which could upen the Kuwaiti Government to a civil law suit by the British Minister if its provisions were breached.

The Kuwaiti Government enjoys soveriegn immunity from court action of this kind, but yesterday's deed specifi-

Continued on Page 18
Lex, Page 18

Iranian troops told to cease hostilities

By Tony Walker

IRANIAN troops in the Gulf have been told to end hostilities after Monday night's agreement at the UN that a formal ceasefire will begin on August 20.

Mr Ali Akbar Hashemi Rafsanjani, the Speaker of the Iranian Parliament and military leader, reportedly warned his troops to expect further Iraqi aggression, but to hold fire pending the implementation of the truce.

Mr Rafsanjani's sober warning and the lack of boisterous public celebration in Iran at the news of a possible end to hostilities contrasted markedly with the mood in Iraq. The ceasefire was being claimed there as a victory by wildly enthusiastic crowds.

Meanwhile, Mr Frank Carlucci, US Secretary of State for Defence, ruled out an early withdrawal of American forces in the Gulf until Washington was confident that a ceasefire had taken hold.

"We have to wait until the threat dies down. We've always said that we shape our forces according to the threat - the ceasefire has not yet taken hold, and we will have to wait a prudent amount of time to make sure that in fact it does take hold, and then we will draw down," Mr Carlucci told a television interviewer.

Mr Javier Perez de Cuellar, the UN Secretary-General, in his announcement of the ceasefire, urged Iran and Iraq end hostilities on land, sea and in the air from 3:00am GMT on August 20.

Mr Perez de Cuellar's diplomatic efforts have won widespread praise. Mr Hans-Dietrich Genscher, the West German Foreign Minister, said the UN official deserved to win the Nobel peace prize.

The West German Minister also praised the UN's role in bringing about a ceasefire and said its success showed the readiness of East and West to work together to eliminate crises in the Third World.

In Moscow, Mr Vadim Perfiliev, a Foreign Ministry spokesman, said that the ceasefire "has come not by a display of force, but by reason of the entire world community.

Gulf states were predictably buoyed by the announcement. Saudi Arabia issued an official statement calling the ceasefire "a good beginning to the end of an eight-year tragedy.

Editorial comment, Page 16; Blue berets on patrol; Shipowners weigh prospects; Unimog joins peacekeepers; Scope for disagreement; Repairs to oil facilities, Page 6.

Arafat to propose government-in-exile

By Tony Walker in London

MR YASSIR ARAFAT, chairman of the Palestine Liberation Organisation, has told reporters in Kuwait that proposals to form a government-in-exile will be submitted to a meeting of the Palestine National Council, the Palestinian parliament-in-exile, to be held within a month, probably in Baghdad.

Meanwhile support for the idea is strengthening, with the endorsement yesterday of Mr George Habash, leader of the Popular Front for the Liberation of Palestine, the second biggest PLO faction behind Mr Arafat's Fatah.

Mr Habash said in Damascus that "our people need laws to govern their daily life. This is why the creation of a government is needed." His endorsement is particularly significant because the PFLP has in the past been antipathetic to such a step.

The PLO has long considered the formation of a government-in-exile as a means of strengthening its political demands to be included as an equal partner in any Middle East peace initiative.

The PLO began an urgent review of its various options following a declaration by King Hussein of Jordan last week that he was severing legal and administrative ties with the West Bank, home of some 850,000 Palestinians. The King said he was yielding direct responsibility for the Israeli-occupied territories – including both the West Bank and Gaza Strip – to the PLO as the sole, legitimate representative of Palestinians. He said this was in response to repeated PLO and Arab demands for independent statehood for the Palestinians.

Inter-Korean talks proposed

By Maggie Ford in Seoul

COMMUNIST North Korea yesterday proposed the first inter-Korean talks since the North cut off dialogue with Seoul early in 1986 as a protest against annual US-South Korean military exercises.

The proposed meeting, with members of parliament from the South in the border village of Panmunjom next week, could open the way for a new relationship.

Political leaders in the South Korean National Assembly, which now has an opposition majority, are expected to finalise their response to the proposal today. It follows a suggestion from Seoul earlier this month that 15 lawmakers from each side should hold a preliminary meeting on a date to be chosen by the North.

North Korea proposes that between three and five representatives attend for each side at the talks, to be held on the North Korean side of the border village. It says the meeting should precede a gathering of more than 1,000 MPs and other representatives of social organisations later this month.

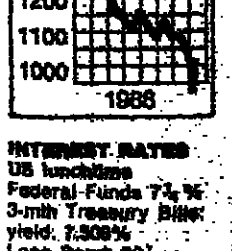
Opposition parties yesterday called for a more conciliatory Government attitude towards a plan by South Korean students to meet their counterparts from the North at the border next Monday, the anniversary of Korea's liberation from Japanese colonialism in 1945.

The Government, which broke up a similar march in June with thousands of riot police, has said that it will crack down again next week. Students in both North and South are presently marching from the southernmost and northernmost mountains on either side of the border.

Scene, Page 2

MARKETS

Coffee
2nd position futures
£ per tonne



INTEREST RATES
US lunchtime
Federal Funds $7\frac{3}{4}$%
3-mth Treasury Bills: yield: 7.508%
Long Bond: $99\frac{1}{8}$
yield: 9.303%
London
3-month interbank: close $11\frac{7}{16}$ ($11\frac{1}{16}$)

STERLING
New York lunchtime
$ 1.6885 (1.7010)
London:
$ 1.6875 (1.6970)
DM 3.2325 (3.2275)
FFr 10.8975 (10.8825)
SFr 2.7025 (2.6975)
Y 227.25 (227)

DOLLAR
New York lunchtime
DM 1.916 (1.8995)
FFr 6.4555 (6.4045)
SFr 1.6035 (1.5875)
Y134.8 (133.75)
London:
DM 1.916 (1.9020)
FFr 6.4575 (6.4125)
SFr 1.602 (1.59)
Y134.7 (133.75)

GOLD
New York: Comex Dec$437.5

STOCK INDICES
New York
Dow Jones Ind. Av. 2,080.55 (-26.85)
S&P Comp 266.17(-3.81)
London:
FT-SE 100 1862.6 (-13.4)
World:
127.90 (-.08)
Tokyo
Nikkei Ave 28,170.36 (82.76)

Frankfurt
Commerzbank 1,501.3(1,519.4)

OIL
Brent 15-day (Sept) $ $15.275 (-0.15)
West Tex Crude $ $15.725 (-0.07)

CONTENTS

Trade deal with the US is at the mercy of Canadian voters

Mr Brian Mulroney, the Canadian Prime Minister, must decide whether to postpone the general election until 1989, thus delaying the trade deal with the US. Such a decision will put the US agreement back into the melting pot
Page 4

EUROPEAN NEWS

W German companies 'well placed' for 1992

By David Goodhart in Bonn

WEST GERMAN companies must improve their efforts to prepare for the single European Community market in 1992, according to a report by the Economics Ministry in Bonn. Despite this exhortation the report paints a broadly optimistic picture of the prospects for most sectors.

In electronics, West German companies are regarded as well positioned and the report points to the rise in the proportion of electronics exports going to the EC from 47.8 per cent in 1977 to 53 per cent today. The positive trade balance with the rest of the EC is DM19bn (£5.9bn) which could increase after 1992, but not without plenty of work in technical standardisation.

The picture is less clear in telecommunications and information technology which, the report concludes, faces a challenge and an opportunity. The challenge comes from the liberalisation of public procurement policy which will particularly threaten the smaller companies currently supplying the Bundespost.

The single market is seen as having entirely positive effects for the car industry. However, the report warns that European Commission proposals for quota restrictions with countries outside the EC could be a disaster for the West German industry, which would be badly affected by the backlash.

The outlook for the chemical industry is also positive, although the anxiety is that competitors in other EC countries will not harmonise their environmental protection rules up to the West German level.

The textile and clothing industry is already well entrenched in Europe with 55 per cent of exports going to EC countries (80 per cent going to EC and Efta combined) and the industry hopes to chip away at the negative trade balance of DM3bn with the EC.

The capital goods industry is already a large and successful exporter and expects further growth within the EC. Shipbuilding industry is very open and is unlikely to be heavily affected, while the building industry is generally too localised to feel much influence.

The report, compiled from information provided by chambers of commerce, confirms the conventional view that West Germany is complacent about 1992, but justifiably so in view of its export record. One industry, which the report does not dwell on, where companies might face uncomfortable competition is transport.

Credit card battle is joined in Moscow

By John Lloyd in Moscow

IT IS NOT, ideologically speaking, a surprise that the introduction of credit cards to a Communist society should cause reactions. But ideology has got nothing to do with it. This row is about hard money and power.

Two rival Western credit card systems have signed deals with two organs of the Soviet state: Visa International with Intourist, the Soviet travel bureau, and Eurocard/Mastercard with Vnesheconombank, or the Bank of Foreign Affairs.

Both have indulged in a bit of publicity on their deals, issuing cards, in Intourist's case, to Yuri Titov, chairman of the Soviet Olympic team (Visa is a sponsor of the Seoul Olympics), and Vnesheconombank to its own chairman, Yuri Moskovsky.

They will have problems using them at their local *gastronoms*, but that is beside the point, perhaps.

The card companies' reasons for pursuing the deals is easy to understand: though Soviet consumer transactions are still almost wholly cash-based, the number of citizens travelling abroad is growing, as is the number of business people and tourists coming to the Soviet Union.

Beyond these groups lie 280m citizens, still queuers rather than consumers, but a vast potential market one day.

Soviet moves have been harder to read, though foreign bankers here have been trying hard. At the root of the problem are several actors in the banking field, all with operational areas which are being extended and shaken up from above, but *which are unsure of* how far their writs can run.

Vnesheconombank has had the monopoly of hard currency dealings, and regards itself as expert in the field. Intourist, though, has for the past 20 years operated as the acceptance house for all of the world's major cards.

Meanwhile, banks like the Promstroi and the Agrobank, together with the savings banks, have been told that they should now open hard currency departments – thus breaching the Vnesheconombank's monopoly.

Intourist and the savings banks, with the active participation of Moscow city council, have been talking about developing their own credit card system for some two years. Codenamed Sovcard, the system would allow the banks to *move into the automated world* which Western banks have been occupying for years.

Vnesheconombank has not liked it, though the struggles *have barely surfaced, and* neither it nor Intourist will talk about the row. It is understood, however, that it has told Western bankers that any deal between Intourist and the savings banks would be illegal, since it retains the hard currency monopoly.

It appears that, unable to rein in Intourist, Vnesheconombank decided for the pre-emptive strike of joining forces with Eurocard/Mastercard – the deal was signed 10 days ago in Moscow. It plans to open a card department when it moves to its new office – though that has suffered from endless delays in construction.

Meanwhile, deals are proliferating, making the scene yet more complex. Okobank, the central bank for all the Finnish co-operative banks and itself the largest issuer of cards in *its home country, has a deal* with Vnesheconombank under which its cards can be used for cash withdrawals at the bank's offices in Moscow. Barclays of the UK has recently signed a similar deal, allowing for cash advances against the Barclaycard.

Springer has print talks in Hungary

By Leslie Colitt in Berlin

WEST GERMANY's Axel Springer publishing empire, long a favourite right-wing whipping boy of the East European media, is negotiating with Hungary to set up a publishing plant in Budapest.

The plant could print a publication called Reform which is to be launched shortly by Mr Imre Pozsgay, a prominent reform-minded member of the Communist party politburo. Mr Pozsgay was recently appointed a state minister with wide-ranging powers and may become the next Prime Minister, a post still held by Hungary's party leader, Mr Karoly Grosz.

Springer executives are expected in Budapest later this month to discuss details of an agreement.

Also involved in the negotiations with Hungary is the West German media management concern, Jozef von Ferenczy. Its youth magazine Popcorn recently became the first Western publication to go sale in Hungary in a Hungarian language edition.

Dr Andreas von Ferenczy, the founder's son, said yesterday that the Hungarian media market had become "extremely interesting" for Western licensees. His company was investigating the possibility of co-operating with Hungary in publishing magazines, newspapers and books for the Hungarian market, as well as in advertising.

Only three months after its launch in Budapest, Popcorn is selling 100,000 copies, he said, and sells out on the day of issue.

Dr Ferenczy, who was born in Hungary, said there was a possibility of supplying other East European markets using Hungary as a base. However, other Western businessmen involved in joint ventures in Hungary said there was little prospect of this.

The talks are taking place with Reform publishing house in Budapest and Hungarian Creditbank, the largest of the commercial banks set up last year.

The new publishing house is to be operated on a profit-making basis which has made the introduction of Western technology and expertise an important factor.

Yazov stresses need for arms slow-down

By John Lloyd in Moscow

SUCCESS IN reforming the Soviet Union's economy and society is linked integrally with scaling down the arms race, General Dimitry Yazov, the Soviet Defence Minister, said yesterday.

In an article in the newspaper Krasnaya Zvezda, and in a written exchange with Mr George Younger, his British counterpart, in Trud newspaper he stressed that Soviet defence policy was now exclusively defensive, and that the Soviet Union "is prepared for radical reductions and constructive negotiations on any issue relating to a reduction of arms or armed forces."

Mr Younger, in his interview with Trud's London correspondent, said he did not believe in greater security in Western Europe without nuclear weapons. "For us in Western Europe, just like our North American allies, the grim reality is that our conventional forces in Europe (including those of France and Spain) are opposed by Warsaw Pact troops which considerably exceed them." He added that "we do not regard as desirable the elimination of all nuclear weapons in Europe."

Answering Mr Younger in the same paper, Gen Yazov said these points "did not hold water" since the Nato countries had refused to allow a "thorough analysis" of the complete balance of forces, including naval and air forces.

"Ensuring non-nuclear security is possible on the principles of reasonable sufficiency, in which we include not only a definite level of armaments but also a definite state of mind: the psychological and political state of mind appropriate to fewer weapons."

In his Krasnaya Zvezda article, Gen Yazov said that Soviet military spending was now being directed at ensuring higher quality, but a smaller quantity, of weapons. The principle of "military sufficiency" would mean a steady decrease in the level of military defence in quantitative terms, while retaining effective parity.

He said that while prospects for peace had improved, "there is as yet no guarantee of the irreversibility of these processes." He added: "Imperialistic sources of aggression and war continue to exist . . . the entire approach to defence spending of the Nato states corresponds to a policy of aggression."

Hammadi admits role in hijack

By Haig Simonian in Frankfurt

THE TRIAL of Mr Mohamed Ali Hammadi, the Lebanese citizen accused of hijacking a TWA aircraft in June 1985 and murdering a passenger, took a dramatic turn yesterday with Mr Hammadi's admission that he took part in the air piracy.

Mr Hammadi said the hijacking had been the only possible way of securing the release of Lebanese prisoners in Israel. "If this action, in which I took part, is illegal, it is a reaction to illegal behaviour on the part of Israel", he said.

He denied having killed Mr Robert Stethem, a US navy diver whose body was tossed from the aircraft at Beirut airport. The aircraft, diverted from an Athens-Rome flight, was made to shuttle to and from Algiers and Beirut, and 39 passengers were held hostage in Beirut for over two weeks.

Clearly addressing Mr Stethem's family, Mr Hammadi said he regretted "the suffering" caused by his actions and appealed to Americans to urge their Government to change its policy towards Lebanon.

He suggested that Mr Stethem had been killed by a fellow-hijacker, the apparent mastermind. "The pistol was in his (the other hijacker's) hand," he said. "I didn't use it. Our orders were not to harm anyone, but I couldn't convince him not to shoot."

The indictment names the mastermind as Hassan Iz-al-Din, described by Western experts as a possible participant in this year's hijack of a Kuwaiti Boeing 747.

Mr Hammadi's testimony was "an intelligently thought-out explanation", according to Mr Heiner Mueckenberger, the presiding judge, who spoke of a "new turn" in the proceedings.

Mr Hammadi's switch to a more co-operative approach has triggered speculation that proceedings in the politically-charged trial may have a bearing on the fate of Mr Rudolf Cordes, a West German held hostage in Beirut since January 1987.

Romania ploughs heritage under

By Judy Dempsey in Vienna

THE SZEKLERS, an ancient Magyar people once entrusted with the defence of the Hungarian kingdom's frontiers, face the destruction of one of their ancestral villages over the next few days as part of a huge agro-industrial project in Romania.

According to independent and official reports from Hungary, more than 1,500 inhabitants from the village of Szarazpatak, south-eastern Transylvania, will be "evacuated" over the coming days to the nearby town of Kezdivasarhely.

The village will be destroyed as part of President Nicolae Ceausescu's plan of making more arable land available *through the creation of giant* agrarian complexes.

Ethnic Hungarians say that if the village is razed, it will almost certainly lead to the destruction of other Szekler villages.

The Szeklers, who number over 600,000 and who speak a distinct dialect which is often regarded as the purest form of Hungarian, first settled along the Carpathians in the 9th Century.

Since the late 1950s, they, along with other ethnic Hungarians, have often been subjected to forcible assimilation. Hungarian intellectuals say that the destruction of the Szekler villages will wipe out a *special part of their heritage.*

Several other small villages in south-east Transylvania, which are inhabited by the ethnic Hungarian and ethnic German communities have already been razed.

Over the past few weeks, villages around Sibiu, southern Transylvania were destroyed. These include ethnic German settlements of Grossaut, Seident and Weidenbachot.

The villages of Apaeca and Alsorakos, ethnic Hungarian villages, have also been razed, as has a 13th century church at Szaszhermany, north of the old German-speaking town of Brasov.

Cyprus peace talks switched to Geneva

By Andreas Hadjipapas in Nicosia

TALKS BETWEEN Greek- and Turkish-Cypriot leaders, which had been scheduled to take place in New York on August 24, will now be held in Geneva on the same date.

The change of venue was suggested by Mr Javier Perez de Cuellar, the United Nations *Secretary-General and an* expert on the Cyprus problem, who will chair the talks. He will be in Geneva for the opening of direct negotiations between Iran and Iraq on August 25.

It will be the first meeting between the new Cyprus President, Mr George Vassiliou, a Greek-Cypriot who was elected last February, and Mr Rauf Denktash, the leader of the Turkish-Cypriot community.

The aim is to re-open negotiations between the two sides on the reunification of the island and for the establishment of a federal republic with two zones, one administered by the Turkish-Cypriots and the other by the Greek-Cypriots.

Previous peace talks between Mr Denktash and the then-Cyprus President, Mr Spyros Kyprianou, collapsed in *New York three years ago*, with the Greek side blaming Turkish reluctance to implement UN resolutions which called for the withdrawal of *the estimated 30,000 occupying* Turkish troops.

Mr Vassiliou, just back from a US tour, has said he would accept a "staged withdrawal" of the Turkish forces, and expressed cautious optimism about the outcome of the talks.

He urged US officials to use their leverage with Ankara and encourage the Turkish side to be flexible. He believes that, with a "peace epidemic" affecting the world's regional conflicts, the time is right to achieve progress on Cyprus.

The two sides are expected to discuss the general framework of a settlement and then set up *ad hoc* committees to work out details. Apart from *constitutional issues, the* discussions will also deal with confidence-building measures aimed at increasing contacts between the two communities. The *target set by Mr Perez de* Cuellar is that a settlement should be concluded by next June.

E Germany stung by anti-Semitism claim

By Leslie Colitt

STUNG BY accusations of rising anti-Semitism, the East German authorities have unleashed a barrage of media reports on the Nazi persecution of Jews and on the activities of East Germany's Jewish community, officially little over 300 strong.

A prominent East German author, Mr Stephan Hermlin, stirred East Germany to act through a recent interview with a West German magazine in which he said anti-Semitism was now more virulent in East Germany than in the past 40 years.

East German newspapers recently reported that skinheads in several East German cities chanted "fascist" slogans and sung Nazi songs. Mr Hermlin suggested that East German authorities were complacent, believing that their country had come to terms with the Nazi past while West Germany had not.

Shortly after Mr Hermlin's interview a meeting took place between Mr Heinz Galinski, head of the 35,000-member West German Jewish community, and East Germany's state secretary for church affairs.

The latter promised that a full investigation would take place into an incident in which Mr Hermlin said young people in Leipzig had chanted "NSDAP" (the Nazi party) in the presence of police who did not interfere.

Scarcely a day has passed *since the meeting without an* article in the East German press relating to Jews. The main party newspaper, Neues Deutschland, reported for the second time this week that the Free German Youth organisation was sponsoring the restoration of a Jewish cemetery in East Berlin.

The East German news agency yesterday ran an interview with the vice-president of East Berlin's 190-member Jewish community about a new book on a former synagogue.

The East German official also told Mr Galinski that the media would report in a balanced manner on Israel, with which (in common with most Communist states) East Berlin has no diplomatic relations.

Heavenly Belgian brew generates a devil of a thirst

SHE MAY, *she may* not . . . with a Chimay, she may.

T-shirts sporting this macho message help promote one of Belgium's best known beers in the unlikely setting of Austin, Texas.

Few drinkers in the Lone Star state can realise that the ale in *the saucy slogan* is brewed at a remote Cistercian abbey on the Belgian-Frech border by Trappist monks dedicated to a contemplative religious life.

The European tradition of monastic brews goes back eight centuries, and those which survived in Belgium *have become an important part* of the country's national heritage. None, however, can claim the colourful history or remarkable modern day export success of the three major Chimay brands.

Chimay's popularity is such, in fact, that the brewery is currently unable to keep up with demand. "We have orders for 50 per cent more than we are able to supply," laments Mr Philippe Macq, the layman who is commercial director of Chimay's thriving beer and cheese operations.

His frustration is shared by Fr Theodore, a bright-eyed 75-year-old monk in charge of the production side who displays

By Tim Dickson in Brussels

an extraordinarily erudite mastery *of fermentation* techniques and takes an understandable pride in the brewery's reputation and achievements.

"When people write to us asking if we can send them beer, I sometimes write back apologetically and sign the letter, 'Non Commercial'," he *says jokingly.*

A planned expansion of the facilities – sufficient to boost production by around 30 per cent by the end of next year – should ease the problem a *little* but unlike normal businesses growth at Chimay is necessarily constrained by the nature of the "shareholders".

The brewery, *for* example, has already far outstripped its original modest aims, with turnover including the cheese side estimated at around BFr600m (£8.8m) last year, *though the fat profits have* been used to good effect. They have supported other monasteries off the coast of Britain and in the Congo and financed a home for underprivileged children in the nearby town.

Fr Theodore also stresses the valuable contribution which the business makes to local employment but it seems that the vast majority of his colleagues consider the commercial activities an unwelcome distraction to their prayers.

The mischievous might suggest there is a hint of irritation in the fact that the monks still have to say a daily Mass for the princely family of Chimay *– an obligation entered into* when the land for the Abbey of Scourmont and its adjoining brewery was donated in the mid-19th century.

The *charitable, on the other* hand, might conclude that the family deserves such support given its record of suffering over the years. With a direct line traced back to the early 1300s the Princes of Chimay have since the 15th century lived in a chateau which has burnt down or been otherwise destroyed (mostly by marauding armies) on no less than seven occasions.

European Diary

Belgium

Rebuilt in the original style after the last terrible fire in 1935, it stands magnificently today as an eloquent symbol of the invasions and unhappy occupations which dominate Belgium's past.

The present Princess (the Prince's mother) remains very much in residence, guiding tourists through the splendid interior, notable for a small rococo theatre used during Chimay's temporarily suspended summer festivals *and built for one of the more* colourful residents.

As the Princess herself loving relates below a portrait of the lady in question, Madame Tallien (born Jeanne Marie Ignace Therese Cabarrus in 1773), was the daughter of a Spanish banker who after one marriage and divorce found herself a prisoner in Bordeaux in the inauspicious year of 1793.

There Jean Tallien, who was in charge of the Terror, met and fell in love with her. She, having helped him in his Thermidor coup against Robespierre, gained the name of "Notre-Dame de Thermidor" and became a leading figure in the revolutionary salons. In 1802, Tallien divorced her and she later married the Prince of Chimay.

The current Prince has also been making the news. Employed by a leading Paris-based public relations company, he acted as one of Mr Carlo De Benedetti's two official press spokesmen in Brussels during the Italian businessman's breathtaking bid for Société Générale de Belgique.

OVERSEAS NEWS

Indian machine makers benefit from protection

By K.K. Sharma in New Delhi

PRESSURE on the Indian Government from the domestic capital goods industry for protection from overseas competition appears to have had an immediate impact since it was announced yesterday that machinery and equipment imports fell by Rs8.33bn (£251m) in 1987-88 compared with the previous year.

Since licences are needed to import capital goods, this amounts to a partial reversal of the Government's liberalisation policy under which imports of key capital goods, technology and raw materials are allowed in relatively freely to permit modernisation of Indian industry.

The liberalisation process started about five years ago and met with immediate resistance from the domestic capital goods industry which has long been sheltered by import controls and heavy customs duties. Although the liberalisation policy has not been formally reversed, the Government has obviously heeded complaints by machinery manufacturers.

The exception was electrical machinery and transport equipment, imports of which rose by Rs2.34bn; India is suffering an electricity *shortage* that is harming industry and agriculture.

India's total imports in 1987-88 rose by 11 per cent over the previous year to Rs223.43bn and exports by nearly 25 per cent to Rs157.19bn.

The two Koreas scale down the ideological war

Maggie Ford reports from Seoul on hopes for harmony as the Olympic Games loom

IN FEW countries would the behaviour of young lovers be regarded as a political indicator. But television viewers in South Korea were shocked to learn last month that, in the Communist North, couples stroll along the riverbank in Pyongyang, take boat rides and wear normal clothes. What's more, young men can be seen in the streets *who are clearly suffering from* the effects of alcohol.

The significance of these impressions of Pyongyang life, delivered by a Korean academic based in West Germany, lies not so much in their familiarity but in the fact that they were delivered on state television. For many years, South Koreans have been told repeatedly that the North is a totally controlled society whose brainwashed people live in poverty, with inadequate food, no luxuries or leisure and certainly no fun.

The decision to allow a more objective approach to the North in the media is only one of the initiatives being followed in the South which could lead to a more positive relationship between the two parts of the peninsula. While time is short, analysts do not *rule out the possibility that* an agreement could even be reached over the Olympic games to be held in Seoul at the end of next month.

The most hopeful route for a breakthrough lies in a meeting this month between members of parliament from both sides. Both China and the US have welcomed the meeting, which will be the first time that South Koreans representing the opposition have taken part in talks. The opposition won a majority in the National Assembly last April.

The MPs are to discuss the co-hosting of the Olympics and a non-aggression pact between the two sides, which have never signed a peace treaty officially ending the Korean war. A spokeswoman for the International Olympic Committee said earlier in the year that the door would be open for participation by the North until the last day of the Games.

The games are awarded to a city, not a country, *so the idea of co-hosting* involves agreement on the terminology between the two sides. The South has so far ruled out co-hosting but the North has been offered five events, which it has not accepted or rejected. Observers believe it would like to form a joint team, as the two Germanys did in the 1960s. Pyongyang would probably also want to hold the closing ceremony, or a joint opening ceremony.

The latest talks may have more chance of success than in the past. North Korea has always asked the South to include other voices, claiming that the South Korean Government *has no interest in reunification* and is simply a puppet of the US. While Pyongyang insists that the 43,000 troops based in the South must be removed, *it has not made the* demand a precondition for negotiations.

Seoul believes that Pyongyang's motives are highly suspicious and that removal of the US troops would simply allow another invasion as the North attempted to reunify the peninsula on its terms. But it attracted wide criticism for its refusal in June to allow students to attend a meeting at the truce village of Panmunjom with their northern counterparts. If the North is as bad as the Government says, people have commented, why not let the students see for themselves?

The July initiative by President Roh Tae Woo has partly come as a result of this criticism, following a surge of public interest in movement towards reunification. This feeling has been spurred by the Government's strong push for increasing trade with China and the Eastern bloc.

The two Koreas managed three years ago to make some headway in Red Cross negotiations, and a number of families were briefly reunited in the two capitals. But the arrangement broke down and the policy of no contact resumed.

The family visits were tinged with the touchiness and competitiveness to be expected of *the two countries which* have been at loggerheads for 40 years. The North Koreans found themselves being repeatedly driven past the Seoul Olympic facilities during their stay, while the southerners walked out of an extravaganza in Pyongyang which they decribed as a military glorification of Kim Il Sung, the North Korean leader.

Observers believe, however, that the recent improvement in the international climate could benefit the two Koreas, as the battle over ideology begins to wind down. A thaw in relations between China and the Soviet Union, combined with a possible re-evaluation by the US of Pacific strategy following *its* detente with Moscow, could provide opportunities for a relaxation of the present hostility, a remnant of the cold war.

Western diplomats point to the statement by Mr Mikhail Gorbachev, the Soviet leader, that the Far East should be an *area where peaceful co-existence* and trade should be the priority. This approach may also relate to the Soviet wish to develop its own Far East territories.

The country which will benefit the most from a reduction in tension on the peninsula is China, which is keen to involve the South in its development plans and is already strongly boosting indirect – and increasingly direct – trade.

The unknown factor, as always, is North Korea. The failure of Moscow and Peking to respond to its call for an Olympic boycott will be partially ameliorated by the *attendance at the North's 40th anniversary* just before the games of the Presidents of both China and the Soviet Union.

Whether or not a breakthrough is achieved this month, diplomats believe that after the Olympics the South may feel sufficiently confident to show the goodwill it has previously withheld and *respond* to a northern proposal, enabling some kind of dialogue to begin.

As Seoul tries to spark enthusiasm for the Olympics among a population somewhat jaded by eight years of media overkill, ordinary South Koreans continue to hope that a breakthrough will materialise, making the games both a local and an international festival of peace and harmony.

FINANCIAL TIMES

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OECD urges Australian states to curb spending

By George Graham in Paris

AUSTRALIA must not slacken its efforts to readjust its economy, the Organisation for Economic Co-operation and Development (OECD) has urged in its latest survey of the country's economic prospects.

The Paris-based organisation says Australia has greatly improved its economic situation over the last two years. Central government spending has been cut, wages have been restrained and the country's external competitiveness has increased.

These efforts now need to be consolidated, however, and individual state governments must follow the central Commonwealth government's example of spending restraint and deregulation.

Australia's current account deficit has been substantially reduced from a peak of 6.2 per cent of gross domestic product (GDP) in the first half of 1986 to below 4 per cent in early 1988, but this is still unsustainably large, the OECD says, and has been reduced even to this level partly by temporary factors.

The major depreciation of the Australian dollar sharply increased the country's market shares in manufactured goods – though these were boosted by new aluminium smelter capacity coming on stream, increased gold production and rising sales of second hand aircraft – and services. Besides helping traditional primary exports, the OECD says, the depreciation also appears to have had a substantial impact on a number of agricultural products such as wine and fresh fruit and vegetables, which were not previously significant export items.

Tourism has also been rising at the fastest rate of any of the OECD's 25 member countries, with most of the increase coming in travel from Japan, New Zealand and the US.

Further reduction in public sector spending is essential, the OECD says, complaining that state and local governments have not cut back as much as the Commonwealth Government, despite reduced transfers of funds from the centre and lower borrowing.

Continued wage moderation is also needed to reduce inflation further and maintain Australia's external competitiveness, the OECD report says, noting that the new-two tier wage system should focus attention on productivity and labour flexibility and welcoming the recent wage agreement in the key metal trades industry.

The OECD also welcomes the recent decision to reduce protection of domestic industries, which used to receive effective protection ranging up to 200 per cent for clothing, 150 per cent for cars and around 100 per cent for textiles, compared with around 14 per cent for the rest of the manufacturing sector.

The abolition of tariff quotas and the reduction of tariff rates is particularly appropriate in the motor industry, since competitive pressures have been significantly reduced by the depreciation of the Australian dollar.

The organisation argues in favour of phasing out the local content scheme and lowering protection in the textile, clothing and footwear industry, where the adjustment now scheduled is spread over a long period and where the level of assistance will remain high at the end of the restructuring programme.

States should also follow recent Commonwealth moves by deregulating grain transport, handling and storage, and should apply to their public sector companies the more stringent management and financial criteria now adopted for Commonwealth enterprises.

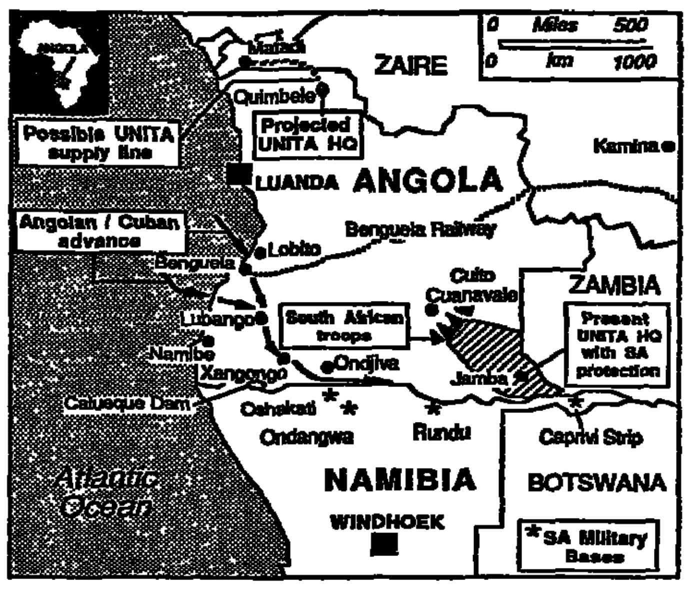
Angola combatants get chance to regroup

Michael Holman looks at the three armies and two guerrilla forces after the ceasefire

THREE national armies and three guerrilla forces have begun responding to the ceasefire declared on Monday in the southwestern Africa conflict.

In terms of the ceasefire, the most important step to date in the current round of efforts to bring independence to Namibia and remove foreign troops from Angola, a South African withdrawal from southern Angola begins today and is due to be completed by September 1.

Although an effective standoff in the war has been in place since a big clash between South African and Cuban forces on the border on June 26, the formal announcement gives the main protagonists a chance to withdraw or redeploy their forces before the next and most critical stage of the peace process – agreement on a timetable for the withdrawal of about 45,000 Cuban troops in Angola.



● For South Africa, it gives the opportunity to pull out an estimated 3,000 men in southern Angola, the most vulnerable of whom have beseiging the southern Angolan town of Cuito Cuanavale in an attempt – which proved over ambitious – to capture a strategic airfield and put out of action radar installations. An estimated 1,500 men are some 40km from the town, with a further 1,000 men held in reserve in southwest Angola.

The contingent in Angola, sometimes deployed in support of the rebel Unita movement led by Dr Jonas Savimbi, is backed up by at least 40,000 men at the northern Namibian military bases of Oshakati, Ondangwa, Rundu and on the Caprivi strip.

● The Angolan national army, which is 53,000 strong backed by 50,000 militia, was until last year by itself in the front line of the battle against South Africa. But as pressure from Pretoria increased, so the Cubans, who had mainly provided what was a second line of defence, took a more prominent role.

● Little movement is expected at this stage from the Cubans, who in recent months have been pushing south to within a few kilometres of the Namibian border. In a recent speech Mr Fidel Castro, the Cuban President, described how a joint Angolan and Cuban force had "advanced unchecked more than 250km toward the border with Namibia", creating, as he put it, "a new situation".

The move, drawing on reinforcements which began arriving in Angola towards the end of last year, may prove to have been one of the most significant in Cuba's 13 year role in the conflict. Within a matter of the weeks the Cubans reinforced their positions in the south with the construction of two 3,500m airstrips, complete with hangars and maintenance facilities.

No-one underestimates the massive military resources Pretoria has deployed in Namibia, but the Cuban advance meant that South Africa – which has already lost over 40 white soldiers in recent months – would pay a high price for further incursions.

In the withdrawal proposals put forward at an early stage of the peace negotiations, Cuba offered a four-year timetable. The first stage would be a step back to the 13th parallel which roughly divides Angola between the north and south. About a year later the exisiting force would be reduced, and by month 30 around 20,000 Cuban forces would have returned to Havana, The balance would leave Angola over the remaining 18 months.

The withdrawal process has not got under way, however, and awaits agreement with South Africa – which has demanded a seven-month period. This is the critical issue to be negotiated at the next round of US-chaired talks.

● For Unita, with some 26,000 men under arms, the Cuban advance had two implications. The first was that they could no longer rely, at least to the extent they have done in the past, on South African' artillery and air support for the defence of their southern stronghold of Jamba.

Although Unita officials have denied the reports, there are suggestions that the rebels plan to open a new base at Quimbele, in northern Angola, which can be supplied through Zaire

● The pact has profound implications for the African National Congress, which has seven military training bases in Angola holding several thousand men. Under the pact, it is expected that these camps would be closed, thus closing the final gap in the *cordon sanitaire* South Africa has created from the west to the east coast of southern Africa.

● The third guerrilla force is that of the South West Africa Peoples Organisation, which has been fighting for Namibia's independence for over two decades. Since Angola's independence from Portugal in 1975 Swapo has been operating from camps in southern Angola. Under the ceasefire terms, Swapo has agreed to cease its military activity.

Court rules Malaysian party cannot be revived

By Wong Sulong in Kuala Lumpur

MALAYSIA'S dominant party, the United Malays National Organisation which has ruled the country since independence in 1957, was confirmed as legally dead by Supreme Court yesterday.

The unanimous decision by the five judges ends a bitter, year-long legal battle for the control of the party.

The dispute goes back to April last year when Dr Mahathir's challenger, Tengku Razaleigh, former trade and industry minister, narrowly lost his bid for the Umno presidency. Eleven of his supporters filed a suit in the High Court seeking to declare the elections null and void because a number of unregistered branches had sent delegates to vote.

However, the Kuala Lumpur High Court, in its decision last February, went beyond the issue of the party elections and declared Umno unlawful.

Both factions claimed the right to form their own parties to succeed Umno, but Dr Mahathir prevailed and his party, called New Umno was registered. His opponents then appealed to the Supreme Court to revive Umno.

In its decision, the Supreme Court said a party with unregistered branches is rendered illegal under the societies act. It also ruled the party cannot be revived.

"The battle is now back in the political arena," said Mr Shafee Abdullah, one of the lawyers for the 11 Umno dissidents.

Meanwhile, Dr Mahathir has said his new party would be seeking a court order soon to take over the substantial assets and liabilities of the old party.

The Malaysian Prime Minister also said from now, his party would drop the word "new" and would be referred to as Umno, even though there is a court injuction against doing so.

Heavy fighting near Kabul

HEAVY fighting is taking place in Afghanistan's Paghman province south of the Afghan capital, Christina Lamb writes from Islamabad. A contingent of 10,000 Soviet troops which left Kabul last week has been ambushed by 5,000 Mujahedin, led by Abdul Haq, the Kabul commander. The convoy was headed south west towards the town of Gharni and Gardez which had already been vacated.

The resistance have confirmed that Soviet troops have left Kandahar and begun withdrawing north from Kabul. Western diplomats in Islamabad say they were surprised at the early withdrawal from the capital, which the Soviets forces had been expected to hold onto till the last possible time. Over the last few week they had even created military outposts around the capital.

Banker guilty in HK bribes case

By Michael Murray in Hong Kong

A FORMER employee of Barclays Asia yesterday pleaded guilty in a Hong Kong court to two charges of accepting illicit cash payments from clients in 1981 and 1982.

Mr Stuart Turner, at the time of the offences an executive director of Barclays Asia, was appearing six weeks after abandoning his appeal in London against extradition. He pleaded guilty to accepting HK$888,000 ($113,000) in cash from Mr George Tan, then chairman of the now defunct Carrian business empire. The money was in banknotes inside a gift-wrapped box.

This followed the arrangement of a HK$100m short-term working capital facility to Carrian provided by Barclays Asia and Barclays International.

MPs predominate in Thai Cabinet

By Peter Ungphakorn in Bangkok

KING BHUMIBOL ADULYADEJ appointed a new 44-member Thai Cabinet yesterday, the first in 12 years to consist almost entirely of elected members of parliament.

Commanders of the three armed forces and the police visited Maj-Gen Chatichai Choonhavan, who was appointed prime minister shortly after the July 24 general election, to pledge their support. They were followed by one group of trade unionists who want workers sacked as the result of a labour dispute to berehired and another who want the Government to scrap private management contracts at two ports in the south of the country.

Gen Chatichai, the first MP to be appointed Prime Minister since 1976, faces a delicate task convincing the military he can maintain the country's stability, the electorate that he can tackle their grievances, and the business community that his Government will not degenerate into an orgy of corruption.

The four parties in the previous government of Gen Prem Tinsulanonda form the core of the new coalition. They are Gen Chatichai's Chat Thai Party with 87 seats, the Social Action Party with 54, the Democrats with 48 and Rassadon (a party allied to the military) with 21. Two new smaller parties, United Democratic and Muanchon, join them each with five seats.

The two weeks of bargaining for Cabinet posts have allowed some commentators and businessmen who see the main appointmentsprimarily as a reward for party financiers rather than an effort to pick competent people for the right posts.

Much will depend now on the ability of the more honest officials and ministers to hold sway against the more corrupt.

The army, for the first time in decades, no longer has a direct representative in the Cabinet. But it has beefed up its representation in Government House with the appointment of Lt Gen Panya Singsakda, a senior staff officer, to the key post of Secretary General to the Prime Minister.

Under the previous prime minister, that position became a key to power. Gen Panya's predecessor, Sqdn Ldr Prasong Soonsiri, became known as "the little Prime Minister".

AMERICAN NEWS

Argentina debt team talks to creditors

By Stephen Fidler, in London

A delegation from Argentina, which has fallen between $850m and $900m in arrears on interest payments to foreign banks, met its leading bank creditors yesterday in New York to discuss the country's needs for new external finance.

The country has been expected to seek up to $2.5bn in new loans from the banks. The Argentine group, led by central bank director Daniel Marx, was expected also to explain the aims of the package of economic measures announced last week as a prelude to an expected new IMF standby financing.

The banks urged Argentina to come as up to date as possible on its interest arrears, and in particular on delayed payments on the roughly $7bn which has been lent in three new money packages to the country since the debt crisis broke six years ago. The arrears, which mean banks in the US have to place the loans on non-accrual status, hurting their income, are likely to make even more difficult to task of raising new bank finance for Argentina.

Concern about Argentina's economic plight has led the US government to arrange a bridging loan of up to $500m. Unusually for such government arranged financings, which are usually dependent on IMF financing, the bridge will be built to two World Bank sector loans.

Ecuador President pledges reform

MR RODRIGO BORJA, a left-wing law professor, becomes Ecuador's President today with a pledge to give the country an independent foreign policy after years of staunch unity with the US. He also intends to reverse the Government's encouragement of the private sector, AP reports from Quito.

Mr Borja, leader of the Democratic Left party, has announced that one of his first official acts on Inauguration Day will be to re-establish diplomatic ties with left-wing-led Nicaragua and bring Ecuador closer to the non-aligned movement.

Outgoing President Leon Febres Cordero, an arch-conservative and Washington's closest ally in South America, broke ties with Nicaragua in October 1985.

Nicaraguan President Daniel Ortega and Cuban President Fidel Castro are among a half-dozen Latin American and European leaders who have confirmed attendance at the inauguration.

Mr Castro's visit is viewed in Ecuador as an unusual show of support for Mr Borja, who won an election run-off against Mr Abdala Bucaram populist candidate on May 8.

Mr George Shultz, US Secretary of State who escaped an assassination attempt on Monday in La Paz, Bolivia, will represent the US. US officials say they expect to be able to work with Mr Borja.

Borja: loosening US ties

Others expected to attend are Presidents Oscar Arias of Costa Rica, Jaime Lusinchi of Venezuela, Virgilio Barco of Colombia, Raul Alfonsin of Argentina, Julio Sanguinetti of Uruguay and Mario Soares of Portugal.

"Re-establishment of relations [with Nicaragua] is a sign that our Government is independent and sovereign," said Mr Gonzalo Ortiz, the new Administration's official spokesman.

Mr Borja, 53, is a longtime political foe of Mr Febres Cordero, 57, and lost a bitter election run-off to him in 1984. Mr Borja, who has served as a vice-president of the Socialist International, won the presidency in May, defeating populist candidate Abdala Bucaram. Mr Febres Cordero was ineligible to run for a second term.

Ecuador, an Andean nation of 10m people, returned to democracy in 1979 after nine years of civilian and military dictatorships.

Mr Borja has pledged to reverse Mr Febres Cordero's free-market policies, blaming them for Ecuador's worst recession since it began exporting oil in the early 1970s.

The economy shrank by 3.5 per cent in 1987 and inflation is running at an annual rate of nearly 60 per cent, the highest level in five years.

Less than half of the work force is in full-time employment.

Mr Febres Cordero took pride in meeting payments on Ecuador's $9.2bn foreign debt for most of his four-year term. But since January, no payments have been made, and Ecuador is more than $1bn in arrears.

The Febres Cordero Government blames the economic decline on the sharp drop in world oil prices and devastating earthquakes that crippled the country's oil industry for six months in 1987.

Mr Borja has said that he would impose exchange controls, restrict imports to save dollar reserves and regulate prices of basic consumer goods to fight inflation.

He also has announced plans for a more restrictive foreign investment policy and a moratorium on foreign debt payments if creditors will not agree to negotiate easier terms.

"I don't believe the debt is payable under the present circumstances," he said recently.

The bitter rivalry between Mr Borja and Mr Febres Cordero has boiled to the surface in recent weeks, creating problems in the transition of power. It is the latest chapter in recent political turmoil that has included two failed military rebellions against Mr Febres Cordero, his kidnapping by renegade air force paratroopers and an attempt to impeach him by the opposition-controlled Congress.

Alfonsin backs down over trade union demands

By Gary Mead in Buenos Aires

AFTER A three hour meeting with the head of Argentina's General Confederation of Labour (CGT), President Raul Alfonsin has acceded to some trade union demands and has thus headed off a general strike against the Government's new economic plan.

When the plan was unveiled last week the reaction of the CGT was hostile, and it threatened industrial action if certain guarantees were not made by the Government. Monday night's meeting between the two sides, the first for three months, appears to resolve some of the issues, at least for the time being.

The secretary general of the CGT, Mr Saul Ubaldini, had pressed the Government to accept a series of demands on wages, privatisation of state companies, and social welfare benefits.

The Government has accepted that free collective wage bargaining will continue, and that adjustments will be made this week to family benefits. The Government also said it would review the minimum wage.

Brazil faces delays over reform of state constitution

By Ivo Dawnay in Rio de Janeiro

FEARS ARE mounting that Brazil's long-debated new constitution could be delayed indefinitely if members of congress continue to stay away from the Constitutional Assembly in Brasilia.

Throughout the last few weeks the Assembly has repeatedly failed to achieve a quorum. Absenteeism worsened further this week despite an impassioned nationwide television appeal for attendance last Friday by its chairman, Deputy Ulysses Guimaraes.

Continued failure to gather the 280 members – half the 559 total – needed to debate a final round of amendments would mean that the process, begun in February last year, will have to be delayed at least until November.

That would add to the already serious atmosphere of political uncertainty currently overshadowing Brasilia as the Government of President Jose Sarney attempts to tackle the long-running economic crisis.

It could also delay domestic and foreign investment decisions many of which are dependent on the final wording of the constitution on such matters as labour and social provisions and the future role of overseas capital.

Congress members, many of whom have proved persistent absentees throughout the drafting process, now have an excuse for staying away in their campaigns for municipal elections due on November 15.

Some 1.3m candidates are already declared for mayorships and councillors seats, 74 of them Assembly members. Other Congress members are attempting to mobilise their supporters behind allies all building their local electoral bases for the presidential elections due next year.

In a bid to woo back a quorum, Mr Guimaraes is now trying to concentrate attendance into the Wednesday and Thursday sessions of each week, warning that sittings will continue into the early hours.

Meese allows Detroit's newspapers to combine

By Roderick Oram in New York

MR EDWIN Meese, in possibly his last major decision as US Attorney General, has allowed Detroit's two daily newspapers to combine their operations. The move was highly criticised by some in the industry because it could make it easier for proprietors in other cities to seek similar profitable arrangements.

The Attorney General overruled his anti-trust officials and an administrative law judge who believed Knight-Ridder's Detroit Free Press and Gannett's Detroit News would reap large profits from the pact. The two companies, among the largest US newspaper owners, had lobbied intensively for two years for the agreement.

Although the papers will compete for news in the fifth largest newspaper market in the country they will share advertising, production and business operations. Thanks to the merger they will cut about 500 out of 4,200 jobs.

Both companies, which are expected to raise soon subscription and advertising rates, hope the papers will be profitable within a year. Knight-Ridder threatened to close the Free Press after it lost more than $30m on sales of $173m last year. It estimated Gannett's News had lost $18m on $172m sales. One analyst estimated the combined operations could generate profits of $177m.

Congress passed in 1970 a law allowing joint operation agreements in the hope of maintaining competition in cities where newspaper economics had become shaky. Miami, Seattle and San Francisco are some of the cities where such agreements operate.

Mr Morton Needleman, the administrative law judge Mr Meese chose to investigate the Detroit case, said last December Knight-Ridder and Gannett had fought too aggressively for control of the market knowing losses for both could result in a profitable joint operation agreement.

Some journalism commentators and industry analysts believe the Detroit decision will be an unhealthy precedent

Edwin Meese: final decision

Shultz admits US drug duty

Mr GEORGE Shultz, the US Secretary of State, admitted on Monday that as the world's biggest consumer of illegal drugs, the US had a special responsibility in the war against narcotics, AP reports from La Paz.

Mr Shultz, in La Paz on a 10 day tour of Latin America, praised Bolivia's efforts to defeat the drugs trade, including passing a law that declares 90 per cent of coca plants illegal and imposes stiff penalties on cocaine producers and traffickers.

Reagan holds fire on Moscow's ABM 'violation'

By Our Foreign Staff

PRESIDENT Reagan has deferred action over alleged Soviet breaches of the Anti-ballistic Missile Treaty, but has kept open the option of repudiating the treaty if the breaches are not remedied.

The decision is a setback for hardliners in the Administration who have consistently pressed for the US to "break out" of the 1972 treaty, which limits the scale and scope of US and Soviet defences against missile attack.

For the moment at least, it cools a simmering source of superpower conflict. The Soviet Union has made continued adherence to the ABM Treaty one of its conditions for a treaty limiting strategic nuclear weapons.

Mr Frank Carlucci, US Secretary of Defence, had advised the President that the pact had been violated by a partially-built Soviet radar site in Krasnoyarsk.

According to the Washington Post yesterday, he recommended that the US repudiate its obligations to honour the ABM Treaty at a meeting on August 24 in Geneva between US and Soviet arms negotiators. The meeting is the third five-year review of compliance to the treaty.

The newspaper quoted a senior administration official as saying: "We want to give the Soviets every reasonable opportunity to correct their violations." The Soviets have offered to dismantle the radar site, if progress is made on other ABM issues.

Instead, the President has ordered US agencies to develop responses in the event of the Soviet Union refusing to dismantle the installation, thus deferring action. On Monday, Marlin Fitzwater, the White House spokesman, reiterated the US stand that the station at Krasnoyarsk is a "significant violation" of a central element of the treaty.

Defence companies overcharged Pentagon by $789m

EXCESSIVE charges by US military contractors amount to hundreds of millions of dollars every year, according to an audit by the US Defence Department, AP reports from Washington.

The audit, by the department's inspector general, was one of the largest performed within the department. It was conducted from July 1984 to September 1987, and focused on 774 contracts and subcontracts – worth $54.3bn in total – held by 95 different companies.

"Of the 774 pricing actions audited, 365 (47.2 per cent) were overpriced by $788.9m," the report said. The overpricing amounted to slightly less than 1.5 per cent of the total value of the contracts audited.

By law, the Defence Department can recover money overcharged by contractors, with interest. The government's claims can be contested.

The Pentagon, in releasing the inspector general's audit yesterday, announced that the department had so far recovered $283m of the $788.9m identified in the report.

"The department will continue to examine all costs questioned and to recommend appropriate actions," the Pentagon added.

The audit report found one of the main reasons for the overpricing was a failure by the contractors to comply with the Truth in Negotiations Act.

WORLD TRADE NEWS

White House opposes bill on textile imports

By Peter Montagnon, World Trade Editor

THE REAGAN Administration has begun a lobbying effort to prevent a bill calling for tough new textile import curbs passing Congress in the wake of last week's vote on the omnibus Trade Bill.

The textiles bill, which calls for import growth to be restricted to 1 per cent a year, passed the House of Representatives last year but then faded from the limelight as debate progressed on the broader Trade Bill.

Now, it is expected to come before the Senate and seven top officials including Mr James Baker, outgoing Treasury Secretary, Mr Clayton Yeutter, Trade Representative, Mr George Shultz, Secretary of State, and Mr William Verity, Commerce Secretary, have written to senators asking them to oppose it.

Congressional experts say the likelihood of the bill being enacted is slim. Its majority in the House was below the two-thirds needed to sustain a veto and support for it in the Senate is considered weaker.

However, concern remains in the Administration about the consequences of its passage.

In their letter, the seven officials warn that the bill "would hurt US consumers, provoke retaliation against US exports, violate our international obligations and undermine our efforts to obtain a more open trading system for US exports."

Unlike the Jenkins bill on textiles which was successfully vetoed in 1986, the new bill targets the EC and Canada for inclusion in its restraint provisions. It has also provoked strong opposition from textile producers in Asia who argue that it would undermine existing quotas established under the Multi-Fibre Arrangement and jeopardise progress in the Uruguay Round of multilateral trade negotiations.

US officials say that Senate consideration of the bill, expected within the next few days, would come at a time when the fortunes of the US textile industry are improving after the setbacks of the early 1980s.

Textile companies posted record profits of $1.9bn last year, an increase of 54 per cent on 1986, while imports of textiles and apparel have fallen 9 per cent so far in 1988.

The seven officials said in their letter that they would urge President Reagan to veto the textile bill if it passed the Senate.

Israel wins $135m deal for military equipment

By Laura Blumenfeld in Jerusalem

TADIRAN LTD, an Israeli defence electronics company, is to supply an unnamed South American country with $135m worth of military equipment.

According to Mr Yigal Neeman, the chief executive of Tadiran, the deal includes "a very broad range of systems and equipment in communications and electronics warfare." Tadiran is a leading producer of battlefield secure communications systems.

The export contract – Tadiran's largest to date – was signed last week by company representatives and South American officials, according to Haaretz, the leading Hebrew language daily.

Under the agreement, code-named by Israel "Project Ocean," delivery of the equipment will begin later this year.

Mr Neeman stated that Israel had been working with this customer for several years, but he would not identify the country. Israel has traditionally demonstrated sensitivity over disclosing the names of its international customers.

China to build Algerian dam

CHINA International Water and Electric Corporation has won a contract worth an estimated $350m (£148m) to build a dam in the eastern Algerian province of Mila, writes Francis Ghilès. The contract, the largest awarded to a Chinese company in Algeria, had attracted bids from Balfour Beatty Construction International of the UK, Som Datt Builders of India and Dragados Y Construcciones of Spain.

The Chinese are believed to have offered concessionary terms with regard to financing.

The capacity of the dam, which will provide drinking water for the nearby town of Constantine and for the steelworks planned at Bellara, is 588m cubic metres. It is one of a series of dams being built across the country to improve the water supply to towns, industry and agriculture. The World Bank is providing most of the foreign exchange costs of the new Constantine water supply project.

UK aircraft makers bid for Australian orders

By Chris Sherwell in Sydney

TWO British aircraft groups, British Aerospace and Hawker Siddeley, are each strong contenders to supply the Australian Government with five VIP aircraft in deals worth around A$130m (£61m).

The Government confirmed yesterday that British Aerospace, with its BAe 146, was competing against Australian Airlines, the state-owned domestic air carrier, to supply one large-sized (35-45 seat) aircraft. Australian is offering a Boeing 737-300.

Hawker Siddeley, through its Far East unit Hawker Pacific, is bidding against Canadair of Canada to supply four medium-sized (10-15 seat) aircraft. Hawker is pitching the French-made Falcon 900 three-engined jet against Canadair's smaller two-engined Challenger aircraft.

The competition is intense: one bidder's tender ran to 40 volumes and involved a demonstration in Canberra.

The BAe 146, already in service with the Queen's Flight in Britain, has been dubbed "the world's quietest jetliner" by its makers and costs around A$30m.

In the other contest, worth some A$100m, Hawker will be hoping the versatility and capacity of the 15-seat Falcon will help it beat the cheaper and smaller wide-bodied Challenger. Hawker also has a close tie with Australian Airlines.

Fresh delay feared on Ottawa submarine decision

By David Owen in Toronto

BRITISH and French companies competing to supply Canada with a nuclear-powered submarine design are becoming increasingly concerned that a decision on which design to adopt may be postponed until after a general election, possibly in late October.

This would mean that the future of the C$8bn project to acquire up to 12 submarines would probably hinge on the ruling Conservatives' ability to secure an overall majority. Both the opposition Liberals and the New Democratic Party oppose the purchase.

The delay in choosing a design - an announcement is already months behind schedule - has come in spite of reports that the Canadian defence department has essentially completed its evaluation.

This has prompted speculation that the source of the hold-up may be cabinet level friction between Mr Perrin Beatty, the youthful Defence Minister, and a number of senior ministerial colleagues. Some ministers are said to be concerned that Mr Beatty's ambitious plans for a 15-year Canadian defence build-up may erode their own budgets.

Mr Michael Wilson, Finance Minister, is under pressure to keep a tight rein on expenditure to sustain momentum in bringing down the budget deficit. In 1988/89, defence is projected to account for 43 per cent of federal spending, excluding debt and transfer payments.

Further significant delay in the submarine announcement would be widely interpreted as a blow to Mr Beatty, who has been earmarked by many as a future Conservative Party leader.

The smaller, cheaper French Amethyste-class vessel is generally seen as favourite to emerge victorious.

Besides cost, one of the principal factors said to be militating in the Amethyste's favour is that purchase of the British VSEL-manufactured vessel would require amendment of a 1959 US-Canada nuclear co-operation treaty.

The US is said to be anxious, for example, that Canada should not develop the capability to fabricate fuel cores itself.

Free trade deal at mercy of Canadian voters

Mulroney's US agreement is back in the political melting pot, writes David Owen

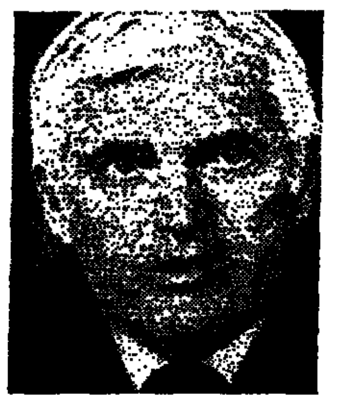
MR Brian Mulroney, the Canadian Prime Minister, finds himself on the horns of a dilemma.

Within a month, he must decide between calling a general election this year – almost certainly in October – and postponing the call until spring or even summer 1989, thus delaying implementation of the bilateral trade agreement between Canada and the United States.

The decision has been forced upon him by the initiative three weeks ago of Mr John Turner, the Liberal party leader, to ask the Liberal-dominated Senate to block the passage of the bill to implement the agreement until after a general election. The time pressure stems from the legal requirement that a Canadian election be preceded by a campaign of at least 50 days' duration and the impracticality of holding such a campaign during the harsh winter.

The agreement, which would eliminate most remaining tariffs between the two countries over a 10-year period, is scheduled to come into effect on January 1, 1989. Its progress is being monitored closely around the world. The deal is seen both as an attempt to establish a North American regional trading bloc and as a possible blueprint for similar bilateral deals between other parties. Last year, about 80 per cent of the $135bn of trade in goods between the US and Canada was conducted on a tariff-free basis.

Assuming the US Congress passes the requisite legislation on the agreement, Mr Turner's move has put the fate of the pact unequivocably in the hands of the Canadian electorate. It probably was anyway.



Turner: controversial gambit

But Mr Turner has ensured that Canadians will pass their verdict before rather than after the agreement is implemented.

For the pact to survive, Mr Mulroney's Conservatives must secure a second consecutive majority - something which no government has managed to do since Mr Louis St Laurent led the Liberals to victory in 1953. If a minority government of whatever political stripe was elected, the Liberals and the left-of-centre New Democratic Party would join forces to kill the agreement.

Even if Mr Mulroney's Conservatives cling on to power, the free trade legislation would have to be reintroduced into Parliament, having died on the statute books at dissolution. But Mr Turner has pledged to abandon attempts to block the bill's passage if the electorate's verdict goes against him.

At this stage, the impending contest looks delicately poised. The Conservatives have been gaining rapidly in the polls (a factor which may have contributed to Mr Turner's decision to endeavour to force an autumn election) but they still narrowly trail the Liberals. The NDP has lost ground – having briefly last summer been the most popular of the three major parties – but still commands the support of more than 25 per cent of decided voters.

Mr Turner's gambit is a subject of particular controversy in Canada because it touches on two topics of longstanding domestic political debate.

First, there is free trade itself, which has been a talking point in Canada for more than a century and provided the dominant theme of two prior general election campaigns.

Mr Turner has consistently maintained that his quarrel is not with free trade as a concept but with what he regards as a bad Mulroney trade agreement. Primarily, he feels – in common with the rest of the Canadian anti-agreement lobby – that the deal has not afforded Canadian exporters with the protection they desire from what they see as the increasingly capricious application of US trade law against foreign suppliers.

What the Mulroney agreement has done is to recommend the establishment of a bi-national panel to review bilateral trade disputes. The panel's mandate, however, extends only to assessing whether or not trade actions taken by either side are in accordance with existing trade law. The matter of amending laws will be considered over a five- to seven-year period in a separate bilateral process.

Mr Turner and other critics also find fault with many additional aspects of the agreement. Among the most frequently voiced misgivings are those pertaining to foreign investment and Canada's energy-related commitments.

Mr Turner's move is also seen as controversial in Canada for the way in which he is using Parliament's appointed Upper Chamber to delay (if not frustrate) the will of the elected House of Commons.

The Liberal-dominated Senate, most of whose members were appointed during the long Pierre Trudeau era, theoretically retains the right of veto over all legislation barring constitutional amendments. It rarely exercises this right, however.

It is widely believed that Mr Turner's initiative may prove to be a catalyst for Senate reform – another subject much discussed in Canada in recent years. Quite which of the many options ranging from outright abolition to the selection of senators via province-wide elections is likely to be advocated, though, must remain an open question.

The very presence of issues such as Senate reform, abortion and the Meech Lake constitutional accord on the current domestic political agenda suggests that Mr Turner is unlikely to succeed in turning the election into a single-issue referendum. Clearly, however, discussion of the Mulroney free trade deal may be expected to predominate. In this case Tory support may be expected to harden in pro-free trade Alberta and Quebec but be eroded further in Ontario – the most populous province – which accounts for more than one-third of the parliamentary seats on offer.

If elected, Mr Turner has said that the Liberals would propose a series of sectoral trade arrangements with the US, similar to the Auto Pact which has governed automotive trade between the countries since 1965.

At the same time, Mr Turner would endeavour to work within the General Agreement on Tariffs and Trade (Gatt) to liberalise the world trading system. "We have always done better with the US multilaterally, in international negotiations," he maintains.

THE US House of Representatives yesterday was expected to approve the US-Canada free trade agreement which would eliminate all tariff barriers between the two countries within 10 years, writes Nancy Dunne in Washington.

Earlier yesterday, the Senate Finance Committee voted unanimously with one abstention to approve the pact. Senator George Mitchell, a Maine Democrat, abstained because of the refusal by the White House to include a section requiring Canadian watermen to abide by the same strict conservation rules as Americans working in the same waters.

However, the measure is expected eventually to pass both houses with little difficulty.

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THE GULF CEASEFIRE

The enormous scope for disagreement in Geneva

Tony Walker considers the many issues of bitter dispute between Iran and Iraq

WHEN representatives of Iran and Iraq sit down in Geneva on August 25 in face-to-face negotiations they will not just be dealing with the terrible events of the past eight years. They will also be confronting a tangled web of mistrust, misunderstanding and prejudice left over from the distant past which will make a comprehensive peace very difficult to achieve.

Imperfect border agreements, such as the Constantinople protocol of 1914 which sought to delineate the land border between Persia and what is now Iraq, contributed to the tensions which spilled over into open conflict in September, 1980, when President Saddam Hussein dispatched his legions into southern Iran.

A return of full control over the Shatt al-Arab waterway, dividing Iran and Iraq, in the south was one of President Saddam's published war aims at the onset.

The Iraqi leader had never fully accepted an agreement he made in 1975 – the so-called Algiers agreement – with the Shah of Iran to move the international border from the Iranian bank to the middle of the Shatt al-Arab.

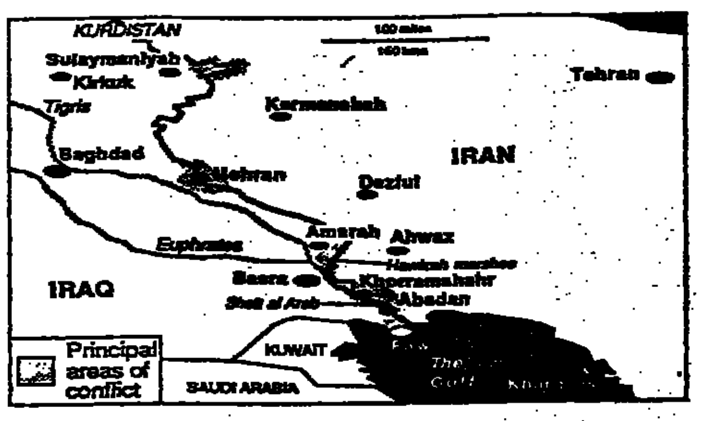
Closure of the Shatt early in the conflict cut largely landlocked Iraq's lifeline to the Gulf and contributed in no small way to Iraqi difficulties of re-supply of munitions to withstand the Iranian onslaught, not to mention the problems caused by the severing of access to its oil export terminals at the head of the Gulf.

It is no accident that the Iraqi President has, in his first public statements on specific issues to be addressed in the negotiations, focused on control of the vital waterway. Iraq argues that its 1975 agreement with Iran dividing control over the Shatt al-Arab was made under duress: that the Shah used his country's superior military strength at the time and its offer to lessen support for the rebellious Kurds in Iraq's north-east to elicit this concession.

"For Saddam, regaining full control of the Shatt al-Arab is a matter of both national and personal pride, because it was he who yielded to the Iranians in 1975," said a Gulf expert in London. Iran is expected to argue that the internationally agreed boundary be preserved.

Lessening the considerable difficulties of reaching agreement on the withdrawal to international boundaries, is the fact that recent Iraqi military successes, such as the recapture in mid-April of the Faw peninsula, have left Iran and Iraq in possession of only small pockets of each other's territory, although this leaves aside the dispute over the Shatt al-Arab.

In Geneva, UN-sponsored negotiations will be held within a framework laid down



by Security Council resolution 598 of 1987, which provided the basis of the ceasefire agreement to take effect on August 20.

Resolution 598 includes provisions governing the despatch of UN observers to monitor the truce, the return of prisoners of war to their respective countries, the achievement of a comprehensive peace, the establishment of an impartial body to look into the origins of the war, reconstruction and reparation and the vexed question of interference in each other's affairs.

The enormous scope of the issues to be addressed in the Geneva talks guarantees that agreement on a package of measures will take a long time, possibly many years. And there is always the prospect that discussions will falter and break down.

Mr Javier Perez de Cuellar, the UN Secretary General, who is receiving much of the credit for helping to bring about a ceasefire, will not be able relax his efforts for the time being, until, at least, there are signs of progress in Geneva. Initial Iranian statements indicate intense scepticism about the possibility of compromise.

Among the difficult issues to be addressed are those of who is to blame for starting the conflict and, allied with that, the question of reparations. Iran insists that Iraq be held responsible and be forced to pay huge war damages. The Iraqis argue that their September, 1980, invasion of Iran was in response to repeated Iranian provocations.

How will an impartial panel assess such counter-claims and, in any case, will its opinion be accepted by either party as the final, definitive statement on the origins of the conflict?

Another serious issue to be addressed is that of meddling in each other's affairs. Iraq is almost certain to press for Iranian agreement to a non-interference pact of some description. Baghdad has long been troubled by Iran's support for its Kurdish minority, some of whom have been actively supporting the Iranian war effort.

Continued Iranian backing for the Kurds demanding autonomy in Iraq's oil-rich north-east would be an unwelcome burden on a country seeking to rebuild itself after a crippling conflict. Iraq would also seek undertakings, no doubt, from Iran that it will stop moral and material support for dissident Iraqi Shias who are members of the banned Dawa party opposed to Saddam Hussein.

Iran, in return, would be likely to ask for Iraq's agreement to cease arming and supporting the Mujahideen Khalq, whose Iraq-based National Liberation Army threw itself into the land war this year, mounting substantial operations in the central front with Iraqi assistance. The dissident Iranian group, which appears to be gathering support after being in eclipse for some time, is becoming something of a thorn in the side of Iran's religious leadership.

It was no accident that Iran, whose forces had seemed demoralised in a series of battlefield reverses this year, fought back strongly last month when the NLA advanced close to the provincial capital of Kermanshah, in the north-central sector. One aim of the the dissident army was to declare a military-backed civil administration. Such a step would have proved a severe embarrassment to Tehran, and encouraged other dissident groups in the country.

One of the first tasks of the Geneva talks will be to deal with an exchange of prisoners. Iran is reportedly holding 50,000 Iraqis. Iraq's stock of prisoners, swelled recently after its successful military operations, is estimated to number about 30,000. The fact that the two sides are each holding large numbers of each other nationals should facilitate such an exchange but, as with all else in this terrible conflict, there is no certainty that even such a relatively straightforward procedure as a prisoner exchange will go smoothly. "If I was to bet on progress on all these matters, I would say that the process will be arduous and tortuous," said a Western official. "A number of issues and a great deal of antagonism stands between Iran and Iraq."

Uniimog joins the peacekeepers

By Robert Graham

THE IMPENDING Iran-Iraq truce has spawned a new international acronym, Uniimog.

The United Nations Iran Iraq Military Observer Group becomes the second such observer force in the Middle East and is distinct from the UN's missions in Lebanon, the Golan Heights and Cyprus.

Uniimog will observe the ceasefire not only on the border between Iran and Iraq but also in the upper Gulf, around the Shatt al Arab, the UN's first such maritime mission.

UN estimates, drawn up on the basis of a report prepared by Gen Martin Vadset of Norway for Mr Javier Perez Cuellar, the UN Secretary General, forecast that it will cost $74m to set up and maintain a 350-man presence for the first six months, including helicopter support and a small naval unit, to be funded from a special budget, with members assessed on the basis of their normal budget contributions.

This high-profile and costly UN role comes as the organisation's finances are at their most precarious. On Monday, a senior official warned that the UN faced bankruptcy by November unless arrears – totalling $602m – are paid and fresh funds come in.

UN officials regard a reassessment of the US attitude towards UN funding as essential. More than two thirds of the arrears – $466m – are owed by the US.

Uniimog at this stage will be no more than an observer group. The latter is basically composed of officers. This is distinct from the ceasefire monitoring forces in Cyprus (Unficyp), the Golan Heights (Undof) and Lebanon (Unifil), which are larger military units with a direct peacekeeping role, operating from fixed bases. The only other observer group in the Middle East is the Jerusalem-based United Nations Truce Supervisory Organisation(Untso), set up in 1948.

UN observer groups

● Untso: Constantly evolving role since 1948, current strength 298, including 73 in Sinai drawn from 17 countries. Annual budget $41.4m funded from UN regular budget.

● Unmogip: Monitoring Indo-Pakistan border. Current strength 38 observers. Annual budget $7.2m funded from regular UN budget.

UN peace-keeping forces

● Unifil. Since 1978, attempting to restore authority in Southern Lebanon but also using seconded Untso personnel in Beirut. Current strength 5,822. Funded by special contributions on six-monthly basis. Current cost $67.5m.

● Undof. Established 1974, following Israeli-Syrian disengagement agreement, based in Damascus. Current strength 1,330 drawn from four countries. Funded by special contributions on six-monthly basis. Current cost $17.6m.

● Unficyp. Established 1964 to keep peace between Greek and Turkish communities. Current strength 2,150 drawn from eight countries. Funded by voluntary contributions. Current annual cost $15.5m.

Repairs to oil facilities likely to be priority

By Peter Montagnon, World Trade Editor

BOTH IRAN and Iraq are likely to concentrate on restoring oil production facilities to their full capacity before reopening projects discontinued or mothballed during the war, according to a market survey by the UK Committee for Middle East Trade.

Damage to oil production and investment facilities during the war is estimated at $25bn (£14.8bn) in the case of Iran and $8.2bn for Iraq, the committee says. Restoring this damage will be the first priority.

The survey warns foreign companies hoping for a rush of reconstruction orders that both countries will be greatly constrained by shortage of finance, but it says that Iran, with few international debts, is likely to spend more freely during the early stages of reconstruction.

Both countries need to make an early start on restoring productive facilities to increase export revenues, the committee says, but Iraq faces particular financial constraints because of its large foreign debt.

Iraq's domestic construction industry has also been growing steadily.

Local contractors can therefore be expected to benefit most from any post-war construction boom in Iraq, the committee says, although the UK is particularly well-placed among potential foreign suppliers.

The Export Credits Guarantee Department has continued to make medium-term cover available to Iraq for the supply of essential commodities and equipment and the UK's payment record with Iraq has been particularly good.

● Iran has officially invited Britain to participate in its international trade fair to be held in Tehran next month, the Department of Trade and Industry said yesterday.

The DTI said it was encouraging British companies to take part in the fair.

Shipowners weigh up prospects for cargoes

By Kevin Brown, Transport Correspondent

SHIPOWNERS were busy calculating the prospects for increased business and improved rates yesterday, as the first result of the ceasefire agreement - a cut in insurance rates - began to take effect.

But most were looking back as well as forward, at the cost in tonnage and human lives since attacks on neutral merchant shipping in the Gulf began in 1984.

Intertanko, the Independent Tanker Owners' Association, said more than 400 ships had been attacked, some several times, and at least 250 seafarers killed. In four years of the tanker war, 61 ships of 10m deadweight tons were sunk or written off by their insurers.

Brokers said the prospects for an increase in oil cargoes would depend on the outlook for prices, but Iran is likely to seek to boost exports rapidly.

The ceasefire announcement led to a cut in London rates for both cargo and hull insurance, but underwriters were cautious about the likelihood of a rapid return to pre-war conditions in the Gulf.

The joint cargo war risks rating committee, which sets minimum rates for cargo insurance on behalf of Lloyd's syndicates and members of the Institute of London Underwriters, cut rates for most Gulf destinations by one-third.

However, rates for much of the region are still well above the basic world rate of 0.0275 per cent of cargo value. Rates for most ports in Iran, for example, remain at 0.375 per cent.

Mr Tony Funnell, assistant general manager of the Institute of London Underwriters, said further cuts were possible in the next few weeks if the ceasefire held.

Hull rates also fell, though the situation was confused by the lack of a central rate setting authority. Mr Christopher Rome, chairman of the London Underwriters Association, said average premiums were down by about 25 per cent.

Blue berets on patrol in Golan

Andrew Whitley reports on UN observers at the Israel-Syria border

WHEN the United Nations ceasefire observation teams fan out along the 1,200km border separating Iran and Iraq in 10 days time, they will face one of the most daunting tasks the "blue berets" have been charged with in 40 years of international peacekeeping.

In the Middle East, the UN's record in preventing a resumption of hostilities is a mixed one. Where it has failed to fulfil its mandate, the reason is usually political rather than military: in essence, because one - or both - of the belligerents is unwilling to observe all the agreement's provisions.

Dating back to the fledgling organisation's failed attempt in 1948 to declare the Old City of Jerusalem a demilitarised zone, Israel has long, sometimes bitter, experience of UN peacekeeping operations.

It was the withdrawal of UN forces from the Sinai in May 1967, under pressure from Egypt's President Gamal Abdel Nasser, which paved the way for the concerted Arab attack on Israel the following month.

Over the past decade, Unifil, the multilateral force based in southern Lebanon, has, at best, proved ineffectual; though, in this, Israel's own refusal to redeploy behind the international frontier must share in the blame.

Where the blue berets have been an outstanding success is on one of the most dangerous of Middle East confrontation lines: that between Israel and Syria on the Israeli-occupied Golan Heights. Here, two of the heaviest armed states in the region are separated by the 1,310-man United Nations Disengagement Observer Force, UNDOF, drawn from Austria, Finland, Canada and Poland.

For over 14 years UNDOF, its heaviest weapon a machine gun, has kept the peace along an 80-km line from Mount Hermon in the north to the steep gullies of the Wadi Ar Raqqad, on the border with Jordan. Although accidental deaths – usually from the mines thickly scattered over this stony upland region – are not uncommon, remarkably, not one person has been killed by hostile fire during this period.

The key to the deceptive, pastoral tranquillity which blankets the Heights, jutting up from the Sea of Galilee like an old ironclad battleship, is very simple. For all the rhetoric and scare-mongering both sides indulge in (only yesterday Prime Minister Yitzhak Shamir accused Syrian President Hafez Assad of preparing his people for war) neither country wants to disturb the status quo.

"Both parties are very interested in keeping the area calm," said Captain Brian Jackson of UNDOF. "Even during the Israeli invasion of Lebanon in 1982, when the Israelis were fighting Syrian troops, it was calm here.

Under the May 1974 agreement, a demilitarised Area of Separation, the AOS, was established along the disengagement line. Inside this zone, ranging in width from 15 kms to 300 metres, Austrian and Finnish troops patrol round-the-clock, to prevent any violations.

Captain Lehnar, a 26-year-old Austrian with 130 men under his command, is responsible for the sensitive central zone, a 60 square kilometre region covering the destroyed Syrian city of Quneitra and the main road to Damascus. Once, he recalled, when a dog accidentally triggered off an alarm on the electronic border fence, three Israeli jeeps were on the spot within 90 seconds.

From the other side, the Bravo side, the Syrians also repeatedly test the UN forces, to keep them on their mettle. Soldiers in civilian clothing will be sent into the zone in the guise of policemen.

Senior officers from the parallel United Nations Treaty Supervision Organisation, UNTSO, deployed on the Golan Heights since 1967 under a separate Security Council mandate, meanwhile man fixed observation posts along the borders of the demilitarised zone.

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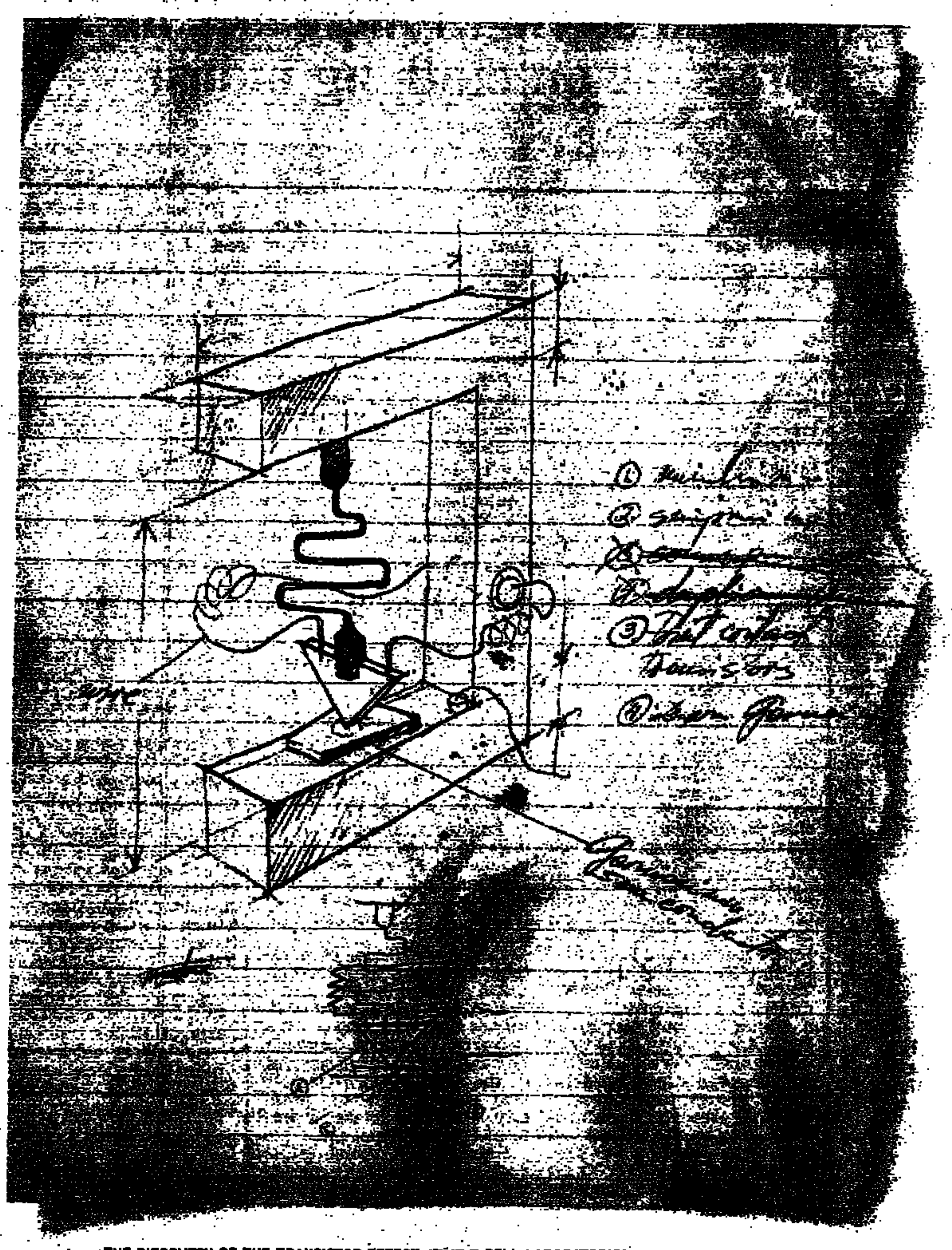
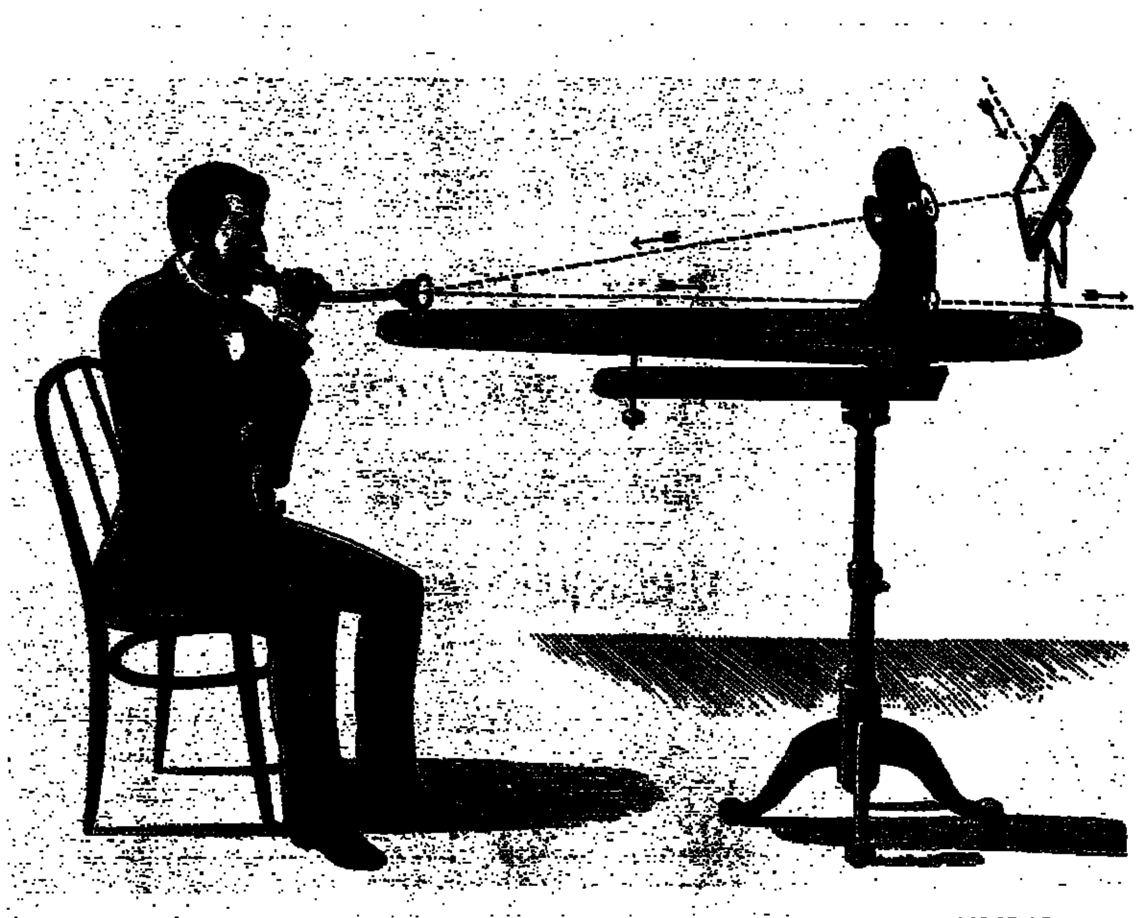


THE DISCOVERY OF THE TRANSISTOR EFFECT AT AT&T BELL LABORATORIES IN 1947 CHANGED THE COURSE OF HISTORY. SUDDENLY MINIATURISATION WAS POSSIBLE AND THE AGE OF ELECTRONICS HAD BEGUN. IN THIS FIRST TRANSISTOR THE CONTACTS WERE MADE OF GOLD AND THE SEMICONDUCTOR WAS GERMANIUM.

SCIENTISTS AT AT&T BELL LABORATORIES INVENTED THE FIRST ELECTRICAL DIGITAL COMPUTER IN 1939. ALMOST 50 YEARS LATER. THE 6386 MICROCOMPUTER IS ABLE TO SUPPORT AS MANY AS 32 USERS SIMULTANEOUSLY. A CONTEMPORARY COMPUTER INDUSTRY BREAKTHROUGH.

MARCH 10TH. 1876. ALEXANDER GRAHAM BELL UTTERS THE FIRST ARTICULATE SENTENCE EVER TRANSMITTED OVER HIS NEW INVENTION. THE LIQUID PHONE. "MR. WATSON. COME HERE. I WANT YOU." AND THUS THE FIRST AT&T PATENT IS EARNED.



THE PRECURSOR OF FIBRE OPTICS FIRST SAW THE LIGHT IN 1880 WHEN ALEXANDER GRAHAM BELL WROTE OF HIS EXPERIMENTS WITH THE "PHOTOPHONE". "I HAVE HEARD A RAY OF THE SUN LAUGH, COUGH AND SING."

"Mr. Watson, come here," were the words that announced the invention of the telephone way back in 1876.

Unknowingly, they were also the words that announced the birth of an organisation that would ultimately be known as AT&T.

A few years and thousands of telephone poles later, the people of Los Angeles were able to talk directly to the people of Boston. The nascent AT&T was on the move.

In April 1927, a handful of New Yorkers glimpsed the future. AT&T Bell Laboratories, now the inheritors of Alexander Graham Bell's inventor's mantle, had developed a way to carry the first television image over telephone lines.

Then, a few years later, in 1939, the world's first electrical digital computer emerged from the same laboratory.

1947 saw a major breakthrough with three of our scientists inventing the transistor.

At the same time of course, they had no idea that this was the beginning of the microelectronics revolution. Each was later awarded the Nobel Prize.

In 1956, AT&T and its partners laid the first transatlantic telephone cable, and the world suddenly seemed a lot smaller.

The world's first satellite TV transmission was made possible in 1962 thanks to AT&T's Telstar satellite. And one of the first stations to receive Telstar's messages was built at Goonhilly that same year.

The UNIX® operating system was developed by AT&T in 1969 and has subsequently become an international computer operating standard.

The story continues in a similar vein until today. In fact, AT&T have earned a patent every working day for more than 60 years, most of which have contributed to improving the world's communication.

Communication is the heart of AT&T's business. And technology is our lifeblood. We see our job as connecting people to people, machines to machines, systems to systems, unhindered by geographic and technical barriers.

Today, AT&T has co-operative ventures with over 100 nations. We've been working with British Telecom, and its predecessors, for over 60 years.

Right now, the new transatlantic fibre optics cable is nearing completion, a result of an even stronger partnership between AT&T and the U.K.

We're providing jobs at our switch development and transmission manufacturing plant in Malmesbury and our microelectronics design centre at Bracknell.

We intend to invest more in Britain, to serve our customers better.

If you'd like to know more about AT&T in Britain, please write to AT&T, Information Office, Norfolk House, 31 St. James's Square, London SW1 4JR.

AT&T

We invented the phone back in 1876, and we've been ringing the patent office ever since.

Cementing order into the market

Andrew Taylor looks at 'collusive behaviour' in the building trade

A NATIONWIDE web of price-fixing agreements involving 60 glass manufacturers, processors and distributors are the latest of a series of price-fixing cartels to be uncovered among building materials suppliers by the Office of Fair Trading.

Three quarters of the price-fixing glass agreements disclosed by the OFT this week involved flat glass sold mostly to the construction industry.

Sir Gordon Borrie, the Director General of Fair Trading, announcing the discovery of 12 separate national and regional glass price-fixing agreements, said it was disturbing that the construction sector should be "particularly prone to collusive behaviour."

In the past few years the OFT had registered a large number of price-fixing and tendering agreements among suppliers of ready-mixed concrete and road surfacing materials.

Sir Gordon might have added that British cement manufacturers had, until last year, operated a legal price-fixing cartel for more than 50 years.

The cement makers' common pricing agreement, which had been in existence since 1934, was abandoned in February 1987 only after the three remaining British cement manufacturers decided that it had outlived its usefulness.

There are several reasons why the construction sector should, to use Sir Gordon's expression, be so prone to collusive behaviour.

The cost of capital investment can be very high for the manufacturers of building materials and processors of basic products such as glass, cement, bricks and ready-mixed concrete.

Kilns cannot be switched on and off as demand in the construction industry swings between its periodic peaks and troughs.

Investment in new plant, or just repairing and maintaining existing works, requires a long-term commitment. Yet the highly cyclical nature of the British construction industry, as exemplified particularly in the 1970s and early 1980s, can very quickly upset the best laid of investment plans.

British cement manufacturers which a few years ago were closing plants to reduce overcapacity have recently been forced to import small amounts of Spanish cement to combat local shortages.

The temptation to protect long-term positions provides one motive for building material producers and suppliers to forge price fixing agreements.

The opportunity to make clandestine arrangements has been assisted by the fact that some sections of the building materials industry are so tightly knit.

In the case of both ready-mixed concrete and road surfacing materials there are probably only some dozen companies which supply between two thirds and three quarters of national demand.

In the regions, where most of the ready-mixed concrete and road-surfacing pricing agreements operated in the 1970s, the big suppliers could be fewer still, making it easier for informal pricing arrangements to operate.

However, the British Aggregate and Construction Materials Industries (BACMI), a federation which represents more than 80 building material companies with an annual turnover of more than £3bn, is angry that Sir Gordon should have referred to agreements which it says ceased to operate more than eight years ago.

The attitude of customers to pricing agreements may also have played a part in allowing cartels to perpetuate.

Material prices represent a relatively modest proportion of the total cost of development, by comparison with land prices and the cost of finance. But construction delays caused by material shortages can be very damaging.

Most contractors, although they might deny as much in public, worry more about continuity of supply than about the price of raw materials.

They are also much less likely to make a fuss about price fixing agreements if they fear it could hit vital lines of supply.

One of the defences which was adduced by cement manufacturers for the common pricing agreement was that it had helped them to maintain continuity of supply to the construction industry by allowing the development of a more orderly market.

The Restrictive Practices Court in 1961 ruled in fact that the common pricing agreement was not against the public interest. The OFT continued to snipe at this ruling until the agreement was abandoned last year.

Sir Gordon must now decide whether or not to take further action against the glass companies in the Restrictive Practices Court.

The only way by which the companies could be fined would be if they broke a court order or undertaking which prevented them from operating the agreements in future.

A consultative Green Paper published in March by Lord Young, the Secretary of State for Trade and Industry, recommended that the OFT or some similar body should have the power to fine companies found operating price-fixing cartels up to 10 per cent of their turnover.

The OFT does not yet have these powers, but says that companies adversely affected by a pricing-fixing agreement might have *grounds for action* in the civil courts.

The investigations into the glass industry began in the West Midlands earlier this year after "someone in the building industry complained of being ripped off."

Most of the agreements were in operation until June this year.

The 60 companies named by the OFT include seven which were served with legal documents compelling them to reveal details of the agreements.

The seven included Pilkington, Britain's only manufacturer of float glass which controls between 55 per cent and 60 per cent of the British market.

The others were: Heywood Williams, Solaglas, Pearce and Cutler Group, Plyglass, Thermovitrine (Midlands) and Birmingham Guild.

The reaction of building analaysts yesterday was that the OFT's moves were less likely to hit Pilkington than some of the smaller contractors and processors.

Pilkington said that it had submitted details to the Office of Fair Trading of a double glazing agreement which had ceased to operate in 1982 but that could not comment on other questions raised by the OFT until investigations had been completed.

Households 'may rise 3m by end of century'

By Ralph Atkins, Economics Staff

THE NUMBER of British households could have increased by more than 3m by the end of the century, according to a Bank of England discussion paper.

Rising incomes, marriage trends and other social or economic factors mean there will be more households than would be suggested just by population trends, the paper suggests.

It says the number of households in Great Britain will rise from an estimated 21.2m in 1986 to 24.4m in 2001. During the same period the population is projected to rise from 55.2m to 57.3m.

Mr Michael Dicks, the paper's author, argues demographic trends explain most of the surge in demand in the housing market during the 1970s and 1980s. But factors such as housing costs, wealth, income had an influence.

Generally, the number of households increases as incomes improve or the divorce rate rises. If housing costs rise, perhaps after an interest rate increase, the rate of growth for the number of households will slow.

The paper also looks at trends in home ownership. Among head of households aged between 18 and 25, the proportion owning a house with a mortgage has increased from 28 per cent in 1975 to 34 per cent in 1985.

The paper says: "There are now relatively more small households and these typically have higher ownership rates than do most others."

The demographics of housing demand. Economics Division, Bank of England, London EC2R 8AH. Free.

Pound strength increases imports pressure on clothing industry

By Alice Rawsthorn

BRITISH CLOTHING industry faced a continued increase in the flow of low cost imports coming into Britain from the Far East in the opening months of this year and experienced more sluggish growth from exports.

The value of clothing imports rose by 17 per cent to £1.2bn in the first five months of 1988 according to the latest data from the British Clothing Industry Association. This follows a 16 per cent increase in imports to £2.8bn during 1987.

This import surge has been fuelled by the strength of sterling against the US dollar and related Far Eastern currencies. The rate of import growth is most marked in the low cost sector, dominated by the Far East, where the level of imports rose by 26 per cent to £1.4bn last year.

In 1987, the industry managed to maintain the level of output at £4.5bn because of healthy export growth, especially to Europe. Yet the rise of the pound against the European currencies is now taking its toll on exports.

Exports from Britain rose by just 5 per cent to £500m in the first five months of this year, compared with a 16 per cent increase to £1.4bn last year.

As the year progresses, the slowdown in export growth could intensify the pressure from imports. Ms Elizabeth Fox, assistant director of the BCIA, said that so far this year the level of output and employment had been fairly resilient.

The most vulnerable area of the industry is at the lower end of the clothing market which competes directly on cost with the Far East. So far job losses and factory closures have been concentrated in this sphere.

One hope for the clothing companies is the recent recovery of the US dollar, which could alleviate the pressure from Far Eastern imports. Given the length of time taken by clothing retailers to respond to currency changes, however, the impact of the stronger dollar is unlikely to be felt until later in the year.

Norwich Union allocates £400m property spending

By Paul Cheeseright, Property Correspondent

NORWICH UNION, the insurance group, will this year invest a net £300m in retail and office property. Its spending on its existing portfolio and on new ventures will be £400m, offset by £100m of sales. Spending next year is expected to be £400m.

The group, which has a portfolio currently valued at over £4bn and producing more than £200m a year in rents is, with Land Securities and Prudential Corporation, one of the three biggest private sector property owners in the country.

Although a consistent investor in the property sector, the weight of the Norwich Union's spending underlines the deepening institutional involvement in property since mid-1987 as returns have reached their highest level for a decade. Last year the Norwich Union allocated £225m to property investment.

Mr Martin Olley, the chief estates manager, said the group last year had a total return on its property investments of 32.8 per cent.

This compares with the average total return on institutional portfolios of 23.6 per cent, measured by the Investment Property Databank, and of 24.9 per cent, according to the Morgan Grenfell Laurie-Corporate Intelligence Group index.

Whether the Norwich Union will receive such a high rate of return this year is open to question. Nearly half of its portfolio is in office property, with a heavy representation in the City of London, where rental growth appears to have slowed. Nearly a quarter of its portfolio is in retail property, but only 3 per cent in industrial premises.

The Richard Ellis Monthly Index showed that in the year to July the total return on all property was 30.1 per cent. But the highest returns were coming from industrial property while those for retail have lagged behind offices and industrials.

Thw low proportion of industrial space in the Norwich Union portfolio is abnormal.

Although generally the institutions were withdrawing from industrial property between 1980 and 1987, about 10 per cent of the average portfolio last year was in industrial property, according to the Investment Property Databank.

Norwich Union spending this year and next will be concentrated on property development. Purchases of existing buildings will be confined to topping up the portfolio, Mr Olley said.

Office investment will continue on three large projects in the City of London and on ventures in regional centres such as Birmingham and Watford. The group has retail projects in Barnet, Bristol, Edgware, Horsham, Ilford, Kingston, Leeds and Swindon.

Property sales so far this year have reached about £50m. Like other institutions, Norwich Union has sought to exploit a rising market and has been weeding out its portfolio. And the high level of demand for space has meant that less than 1.5 per cent of the portfolio is vacant.

Unionists call for return of internment

By Our Belfast Correspondent

THE Rev Ian Paisley, leader of the Democratic Unionist Party, called yesterday for the return of internment without trial for suspected Republican terrorists on the 17th anniversary of its introduction to Northern Ireland.

His remarks followed a day of sporadic rioting in Republican (mainly Roman Catholic) parts of Ulster. Police used plastic bullets and live ammunition to disperse rioters in West Belfast, making 42 arrests.

Army and police patrols were shot and bombarded with petrol bombs, grenades and rocks in 83 attacks from midnight until dawn. Eight policemen were slightly injured.

Mr Paisley's party, also called for the reintroduction of capital punishment, search-and-seize operations in Republican areas, tighter border security, and heavier prison sentences for terrorist offences.

The Government is, however, likely to reject the demands on internment made by the mainly Protestant Unionists. Ministers believe it would hand the IRA a valuable propaganda weapon. Internment was abandoned in 1975.

Despite the arrests and injuries after the night's rioting, senior RUC officers were reported to be pleased with the relatively trouble-free evening. They blamed the trouble on "uncontrollable criminal elements intent on creating damage and destruction."

The most serious incidents happened in West Belfast when shots were fired at a police station and an RUC officer was struck by a car which failed to stop at a vehicle checkpoint.

A community festival is currently in full swing in West Belfast and Sinn Fein has called for young people to devote their energies into making it a success, rather than confronting the security forces.

Job skills audit urged

By Charles Hodgson

THE GOVERNMENT was yesterday urged to carry out a national skills audit and set up labour market boards to tackle shortages of skilled workers.

Mr Michael Meacher, Labour's employment spokesman, said that 72 per cent of manufacturing companies in London faced shortages in the first quarter of this year, almost 10 per cent more than six months earlier. About 30 per cent of companies in Merseyside, and 45 per cent in Yorkshire and Humberside had similar difficulties.

UK NEWS

Panel warns of conflict over EC takeover code

By Philip Coggan

THE TAKEOVER Panel warns in its annual report published today that a forthcoming European Commission directive on takeover policy may have important implications for the British non-statutory system of regulation.

It is not the detail of the directive, but the method of its implementation which may pose problems, says the panel.

Commission directives are normally implemented through legislation in member states, and that would run counter to the UK's voluntary system.

The panel, which includes on its board representatives from City of London institutions, applies the self-regulatory and voluntary City Takeover Code.

Mr Antony Beevor, the panel's director-general, says in the report that the expected scope of the directive is narrower than that of the Takeover Code. He adds: "It is unlikely that any of its provisions would be inconsistent with the code's general principles."

Discussions have taken place between the panel and the Commission about the proposed directive. Mr Beevor says that "Commission officials have made it clear that they respect the panel's system for regulating takeovers and they have been sympathetic to our concerns".

The panel also details its policy on statements of intention made by potential offerors. Mr Beevor says: "It appears that some practitioners may be under the impression that, where a shareholder announces that it has no present intention of making an offer, then it will be prevented for making an offer for three months, and released thereafter. This would be wrong."

In fact, in the absence of a stated period, the panel would not regard a company as being bound for any particular length of time. However, if the company were to make a bid soon after the statement, the panel would need to be convinced that the original announcement had not been designed to mislead the market.

The panel also says that recently-developed practice for selected journalists to be briefed before the release of takeover documents is in breach of Rule 19 of the code, which requires information to be made equally available to all shareholders.

The report shows that the panel's costs increased by more than a third over the year, partly because of legal costs incurred during the Guinness case and partly because of an increase in the number of staff.

Buy-out fund planned

By Charles Batchelor

FOREIGN & COLONIAL Ventures, the venture capital arm of Foreign & Colonial Management Group, is setting up a £20m fund to invest in management buy-outs and established unquoted companies.

F&C Ventures plans to invest sums of between £500,000 and £1.5m in small buy-outs and in expansion finance for the smaller company.

It expects to complete fund-raising by the end of September and to invest the funds over the next two years.

The company believes that with just £20m to invest it can establish a niche for smaller deals which would not appeal to some of the larger development capital funds that have recently been established.

The new fund, called F&C Ventures Limited Partnership, is the third to be established by F&C Ventures.

It set up its first fund, with £10m of assets, in the form of a quoted investment trust in 1981.

It raised a further £11m for this fund by means of a rights issue two years later. In 1986 it set up F&C Buy-Out Trust.

Audit body criticises schemes to generate small businesses

By Charles Leadbeater, Labour Correspondent

THE VALUE for money of Department of Employment programmes designed to create new small businesses has been questioned by a National Audit Office report.

The report says the department's small business schemes finance many people who would have become self-employed anyway.

It says that a large proportion of the companies created put existing companies out of business, and that a significant minority of the companies created quickly fail.

The report says the programmes have been relatively successful in supporting a large number of individuals and businesses at low administrative cost. But value for money would be improved if support were aimed more closely at those businesses most likely to succeed.

The report is particularly critical of the Enterprise Allowance Scheme, which provides a weekly allowance of £40 for a year to unemployed people who want to start their own businesses. More than 300,000 people have taken part the scheme's launch in 1982 at a cost of £545m.

Last year about 16 per cent the scheme's starters were expected to drop out before completing their year. Of those remaining in business a quarter fail within the next six months, with most failures in the four weeks after the allowance is withdrawn.

Only 57 per cent of the companies started under the scheme were still trading three years later.

The report recommends that the department should introduce a test to assess the viability of the business plans of people applying for funds.

Bank tests gilt auction market

By Simon Holberton, Economics Staff

THE Bank of England will today test the mood of the market for government securities by conducting the first in its series of bond auctions. Some £750m of stock will be offered, maturing in 1994.

There is some doubt, however, as to which class of investors will be interested in the stock. Analysts said that the auction was aimed at the building societies, but that preliminary soundings indicated the they were not interested at prevailing rates.

The high short-term interest rates should attract foreign investors, but the Bank decided not to make it tax-free for foreigners and market makers are divided as to the strength of foreign interest.

Yesterday's rates suggested that the Bank should the issue which is partly paid and carries a coupon rate of interest of 8¼ per cent at a yield to redemption of some 10.2 per cent.

The auction follows a series of three experimental auctions which the Bank held last year and which raised £2.6bn. The last, held on January 13, was the least successful. It was for £1bn of stock but investors applied for only £1.06bn.

It is usual in the US, where all government debt is sold by auction, for investors to bid for up to 2½ times the amount on offer. The first two UK auctions had a cover of 2.4 times and 1.5 times the offer.

How a market was brought to its knees, Page 17

BR and GEC clash over cause of rail link failures

By Kevin Brown, Transport Correspondent

BRITISH RAIL, GEC and British Rail Engineering are to hold a meeting today to sort out responsibility for a rash of cancelled trains on the newly-opened Thameslink service across London.

Mr Chris Green, director of BR's Network SouthEast sector, announced the meeting yesterday afternoon after blaming the problems on microprocessing equipment supplied by GEC's Traction subsidiary.

But today's meeting seemed likely to turn into a skirmish after Mr Keith Appleby, managing director of GEC Traction, said Mr Green had misunderstood the problem, and produced a BR report praising the company's commitment to reliability.

Ironically, it also emerged yesterday that the Thameslink service had been a roaring success with the public since a £72m fleet of Class 319 electric trains, built by British Rail's own workshops, started running in May.

The service links main-line tracks north and south of London, on a direct route from Bedford to Brighton through a reopened Victorian tunnel at Snow Hill.

More than 18,000 passengers a day are travelling on the central section, well above BR targets.

Mr Green said: "The majority of the problems being experienced concern the GEC microprocessor controlling the traction equipment, which is being modified."

Mr Appleby conceded that there had been "teething troubles," with GEC equipment, but the company would dismiss the claim that it was responsible for most of the problems.

He added: "I find it inconceivable that Chris Green says it is the microprocessor. Chris Green is not an engineer, he is a marketing person."

Mr Appleby said the source of the problem was the high technology equipment which enables the train to run on both dc current from overhead power lines north of London and ac current from a live rail on the Southern Region.

"We take our share of blame and we are working to put things right. But it's not all our fault. And it isn't the microprocessor," he said.

Mr Appleby also produced a report by Network SouthEast praising GEC for a high record in reliability.

Dismay at remarks on Scottish business tax

By James Buxton, Scottish Correspondent

BUSINESS leaders in Scotland reacted with dismay yesterday to remarks by a Scottish Office minister which appeared to cast serious doubt on the Government's commitment to implement a uniform business rate, or property tax, for the whole of the UK.

The harmonisation of Scottish business rates with those of England and Wales is regarded as vital to Scotland, since the separate Scottish rating system frequently leads to Scottish businesses paying considerably more in rates than elsewhere in the UK.

Service industries typically pay between twice and two and a half times as much as their equivalent English businesses. Process plant operations pay up to eight times as much.

The Government previously indicated that a uniform business rate would come into effect for Scotland in the early 1990s, after the planned 1990 revaluation of business premises throughout Britain. From 1989, when the community charge, or poll tax, replaces the present system of rates in Scotland, Scottish business rates will be subject to an index-linked ceiling.

But Mr Ian Lang, the Scottish Office Minister of State, has been quoted in Scottish newspapers as saying that the Government had never issued a firm policy that there would be a unified business rate for the whole of the UK, because it had not been able to quantify the size and number of hurdles in the way of such an aim.

Asked whether it was a question of "if" rather than "when" Scotland joined a UK-wide system, he said: "It has to be 'if', until we see the outcome of all the issues we are looking at at the moment." Yesterday Mr Lang insisted that government policy had not changed.

However, Mr Ewan Marwick, chief executive of Glasgow Chamber of Commerce, said: "We are very disappointed. We had understood from Mr Lang that the two rating systems would be harmonised by the next UK-wide revaluation of 1995. Now it sounds as if nothing will happen before the next century."

Revenue fails to lift tax secrecy shield

Richard Waters looks at lawyers' victory over the taxmen

Inland Revenue's tough-guy image is looking a little tarnished. In the face of heavy lobbying from lawyers it recently dropped its assault on one of the last bastions of secrecy left to taxpayers: legal professional privilege, or the right of confidentiality for people seeking legal advice.

Equally heavy lobbying from accountants has even persuaded the Revenue to extend a limited form of privilege to them as well, though the profession is divided over how effective the concession will be.

Companies and individuals seeking tax advice can now do so with the certainty that documents sent to their advisers will remain secret from the taxman. For the unscrupulous, the ability to shield tax avoidance or evasion has been given a new lease of life.

The Revenue conceded defeat in a recent consultative document which signals the culmination of an eight-year excercise to update its enforcement powers.

Lord Keith of Kinkel, who was given the task in 1980 of recommending changes to the statutory powers backing tax assessment and collection, concluded that the courts should have the power to override privilege in certain cases.

Otherwise tax avoiders would continue to use it as a tactical weapon, he reasoned. Vital information could be kept out of the hands of the Revenue by taking the precaution of only writing down full details of tax avoidance schemes in communications with tax counsel.

This brought an outcry from the legal profession, which argued that all individuals had the right to legal representation without fear that documents in the hands of their lawyers could effectively be used against them. And accountants argued that, if lawyers' clients were protected and theirs were not, they could lose business to the legal profession.

The Revenue has now agreed to leave legal privilege intact, and at the same time has succumbed to the accountants' "level playing field" argument, agreeing to extend a limited form of privilege to tax advice given by tax accountants.

Lawyers claim this as a victory for right-thinking people. "If privilege had been abolished, it would have encouraged evasion," says Mr John Carrell, head of tax at Stephenson Harwood. "People just wouldn't have gone to lawyers and accountants for legitimate advice. The whole business of tax planning would have gone underground."

Accountants are divided on whether they have won their argument. Mr Robin Ivison, a past president of the Institute of Taxation, says that they have got most of what they wanted. Mr Adam Broke, a future president of the Institute, says they have not. According to Mr Broke, the Revenue will have access to working papers used to establish a tax computation, or other documents which will help its case in arguing a company or individual's tax liability.

But will the Revenue's step-down encourage tax evasion? Certainly not, say the professionals: their firms never get involved in cases of illegality. It will only foster genuine tax planning.

Keith: Further Proposals. Inland Revenue, Reference Room, Somerset House, Strand, London, WC2R 1LB. £3.00.

MANAGEMENT

Barclays in Europe

Seeking to grasp the 1992 marketing initiative

By David Lascelles, Banking Editor

The approach of 1992 has met with mixed feelings in the UK banking industry. One view, expressed by the British Bankers Association, is that the removal of barriers in the EC will merely get rid of "irritants" in a market that is already very internationalised.

But Barclays Bank is taking a more upbeat line. John Quinton, the chairman, has appeared in advertisements proclaiming "Europe - what's the BIG idea?" and urging people to prepare for the opportunities – and threats – of the single market. To get the 1992 message across, his bank is also organising briefings for customers, and subjecting its staff to a European awareness campaign.

Much of this flurry of EC enthusiasm has to do with the fact that Barclays sees 1992 as a good marketing opportunity at a time when rivalry between the large UK clearing banks is particularly intense. The bank that is quickest off the mark, Barclays reckons, will be most readily identified by customers as the one to turn to for help in Europe.

But behind the scenes the group's senior executives are also trying to evaluate the significance of 1992 and decide how to position Barclays' operations for the single market.

The consensus seems to be that 1992 will not bring any great upheavals; it will accelerate international trends that are already evident. But it could open up some good cross-border opportunities (a firm of consultants has been hired to help identify them), and Barclays must also be ready to counter whatever moves its competitors make.

Like all the UK clearers, in recent years Barclays has spent far more time and money developing its business in distant places like the US and the Far East where it believed the major opportunities lay than it has in Europe. Although it has branches through much of Europe, many countries there were not a high priority, and one of them, Italy, has been a source of serious problems and losses.

All that is now changing. Barclays recently sold its branches in California because they were adding little to its global strength. Although there was no immediate connection with 1992, it was part of a pattern of changing priorities. "Europe is coming much more to the forefront," says Peter Leslie, the deputy chairman. "Over time we expect it to become a unified market which will include the UK."

The bulk of Barclays' European business is in France and Spain where it has retail branch networks. In the other countries it is represented by branches of the head office or small finance subsidiaries. But altogether, it has only £7.1bn of assets in Europe out of a total £88bn, and last year it only broke even on its overall European business.

However, by the time UK branch operations are included along with Barclaycard and BZW, the group's investment bank, Leslie believes that Barclays is one of the most strongly positioned banks in Europe. "We have the widest coverage in terms of our home base and Europe as a whole," he claims.

Leslie believes only three banks are strong enough to tackle Europe on their own: his own, its main UK rival NatWest, and Deutsche Bank, the largest bank in West Germany. He sees a second tier of lesser banks forming alliances or mergers among themselves to defend their territory or co-operate across borders, and a third tier of small banks which will be little involved in the 1992 changes.

This positive assessment of its own potential is what has decided Barclays not to seek a merger of its own. "We feel we are quite big enough," Leslie says. "We don't see the value of large acquisitions. We might only make some small ones to fill a hole." He is also against associations with other banks. "It always leaves you with a sword of Damocles hanging over your head: the question of what you do next."

But if Barclays' strategy is based on the decision to go its own way into Europe, the bank has also decided not to try to establish a major EC-wide institution with a presence in all markets. Though fortified by its recent £920m rights issue, Barclays thinks the cost would be huge and the chances of breaking into the continent's well-established banking preserves minimal.

Instead, Barclays is singling out specific services and geographic markets where it believes it can successfully deploy its strengths to gain profitable business at the lowest cost.

"If you go head on against the big German banks, you'll just get a bloody nose," says Humphrey Norrington, executive director for overseas operations. But he thinks Barclays could build up full service banks in Spain and France where it is already quite well known, and countries like Italy where it thinks it can do a better job than the local banks. "Spending money on systems is more attractive than buying other banks," he says.

A major part of its thrust into the retail market will come from Barclaycard (see below), a highly automated operation which can be directed at specific classes of customer using modern marketing techniques. It has the additional appeal of not needing costly branch networks.

On the corporate banking side, Barclays considers that much of the market, particularly at the top end, already operates without regard to borders. Large multinational companies are able to obtain their banking services pretty much where they please. The tougher question is how to tackle lower tiers of the market where domestic banking relationships still dominate.

Huw Manton, overseas director, predicts: "The middle market will be the main battleground." Barclays' intends to take a selective approach to this segment, aiming for companies with growing international needs, for example for trade finance, where it can use its name and London's international financial reputation to give it marketing leverage.

The approach would be designed to keep costs to the minimum by centralising the back office work, and leaving the greatest number of staff free to seek out clients and market Barclays' services. This will mean opening more branches, but Barclays has not yet decided "how many flags to fly," according to Manton.

But why would a German company want to use Barclays rather than one of its own banks? Manton admits that Germany will be a tougher market to crack than others where there is more scope for competition. But he says: "We will build a name for offering competitive services. We can never pretend to be a Bavarian bank, but we shall try and project a certain 'Europeanness'."

For BZW, the investment bank, the questions posed by 1992 are rather different. It is a member of the London, Paris and Amsterdam stock exchanges. But many of its businesses – capital markets and investment – already transcend frontiers. David Band, the chief executive, says BZW must develop its expertise and distribution in European securities to meet changing needs, such as pension funds' growing appetite for international securities.

He expects cross-border mergers and acquisition to be "a very active area" as the single market evolves. "There will be a lot of family businesses up for grabs in countries like Germany and Italy."

Barclays' expansion in Europe need not, however, be solely along traditional banking lines. Leslie says: "In some ways other services offer better opportunities for cross-frontier diversification." He mentions insurance and mutual funds as possibilities.

This would imply acquisitions. But Manton stresses that Barclays' approach to buying businesses has changed. "We have gone through a 180 degree turn. It doesn't do to go out and buy market share any more. Now, we look at how an acquisition would fit into opportunities as we see them, and they are different in each country."

While devising its approach to the Continent, Barclays is also trying to bolster its defences back home, knowing that the highly profitable UK banking market is likely to be a target for other EC banks. They will either come as acquirors of local banks and building societies, or as "cherry-pickers" of the choicest businesses.

Leslie says the defensive strategy must be to offer domestic customers as wide a choice of services as possible. "If today we were only giving retail customers cheque accounts and personal loans, and not life assurance, mortgages and so on, we'd lay ourselves open to significant penetration," he says.

With over four years to go before the completion of the international market, Barclays admits that its thinking is not yet fully developed, and that gaps need to be filled. But unlike some banks who are still taking a wait-and-see attitude, it believes it must act.

Leslie comments: "Undoubtedly there will be a lot of mistakes made. But it is not a sustainable policy to say 'Let's sit back and watch others make mistakes' because some people *will* get it right and succeed."

John Quinton (left) and Peter Leslie: hired consultants to look for cross-border opportunities

Barclaycard: a strong base for an EC attack

Barclays' operations in Europe (excluding UK)

- Belgium: 1 branch, finance company
- Denmark: 3 branches, finance company
- France: 25 branches
- Greece: 4 branches
- Ireland: 1 branch, & a banking subsidiary
- Italy: 3 branches
- Luxembourg: No representation
- Netherlands: 1 branch, 1 business development office
- Portugal: 2 branches
- Spain: 110 branches, finance company
- W.Germany: 5 branches, finance company

Barclaycard, with 9m cards, is by far the largest single bank-owned card system in Europe, and more people in the UK have credit cards than in any other EC country. Barclays therefore believes this gives it a strong base to launch an attack on the EC retail market without having to buy or build hundreds of branches.

"It is a fantastic opportunity to use the skills we have developed for 60m people on 320m people," says Peter Ellwood, Barclaycard's chief executive.

The EC's 1992 proposals include plans for harmonising regulatory and technical standards for credit cards. But Barclays does not see this only in terms of persuading millions of continental customers to sign up for a Barclaycard.

Ellwood describes it as "an entry point, a channel for giving value added services throughout Europe." These would include insurance and travel services, and even mail order goods which would be marketed directly to the customer.

Although 1992 will create a single market, Ellwood says each country will retain strong national characteristics, so Barclaycard's marketing will have to be individually tailored for each country.

He says Barclaycard has considered forming an alliance with continental institutions, and has had inconclusive talks with a bank and a non-bank. Alternatively, Barclaycard could buy a portfolio of card users from an existing operator.

The most attractive markets, he believes, are France and Spain, where Barclays is already well represented, and Italy where, in Ellwood's view, retail banking is in need of more competition. Germany also offers potential as the least "carded" market in Europe, though the rival bank card system eurocheque is strongly entrenched there.

Barclaycard needs new avenues for growth. Its profits are levelling out in the UK, and margins are under attack. However, EC research has shown that credit card margins are much lower on the continent than in the UK, so expansion in that direction may not necessarily raise Barclaycard's returns, particularly if the 1992 marketing drive proves costly.

JOBS

There are worse things than going to work

By Michael Dixon

"HERE'S your first customer," chirped the course-leader, ushering in a manager from a famous motor manufacturer. "He'll now tell you the problem he wants solved."

The manager explained that his problem was road crashes. Could we think up a form of vehicle in which travellers would be safe from them?

Whereupon he looked intently at the half dozen students being introduced to a "creative problem-solving" process called Synectics. They consisted of five executives from a variety of businesses, and the Jobs column. The first to speak was an advertising man with a beard.

"How about having a hard spike projecting inwards from above the windscreen so that the sharp end is always within an inch or two of the driver's forehead?," he suggested. "The certainty of being personally killed in a crash would make everyone drive carefully, so your problem would vanish."

I have to admit that the proposal took me aback. To judge by appearances, it did the same to the man from the motor company.

But one of the rules of Synectics is that you must find and state at least three good points about another person's idea before uttering even a breath of criticism. So after gazing at the ceiling for a while the manager produced the mandatory trio, ticking them off on his fingers.

Making and fitting the spike would add little to production costs, he said. It would also, undoubtedly be effective.

A third benefit was that it would not just create more jobs for chauffeurs, but elevate them into an exceedingly well paid profession. Indeed, the only parallel he could think of was kamikaze pilots, but they of course had not done the job solely for money.

Then he paused, smiling as though with relief, before adding: "On the other hand, if my company's vehicles were fitted with the spike, we might lose sales to competitors whose weren't."

That gave me an idea for my contribution, which was called for soon afterwards. "Why not cut all your competitors' sales by changing your business from motor-manufacture to producing some new device that would vastly reduce the need for people to travel, and the number of crashes along with it?", I asked.

His eventual objection to such a change was that his directors seemed strongly attached to staying in the motor industry, which while perhaps an undaring attitude, was understandable in view of the billions the company had invested in vehicle factories and suchlike around the globe.

Unfortunately, I cannot recall the good things he found to say about my notion, because the Synectics course in question took place some 15 years ago.

But the event — and the whereabouts of the notes I made at the time — were brought back sharply to mind by a speech made the other day by John Banham, director-general of the Confederation of British Industry. He predicted that within seven years about 4m people, one sixth of the United Kingdom's working population, would be doing their job without need to stir from home.

The technological rationale behind his forecast is less adventurous than the scheme I had in mind so long ago.

There was then talk of a thing called tele-conferencing, whereby people distant from one another sat in front of microphones and television cameras transmitting to big screens in each place the image of the person currently holding forth. But the process apparently failed to come up to expectations. The reason may have been that the apparatus involved deterred those taking part from communicating as readily as they would when meeting face-to-face.

My notion was to go a step farther and somehow couple a holographic videocamera-cum-projector to telephones which, although looking ordinary, could link simultaneously with numerous others. That would allow several separated people not only to talk together, but to witness the rest's behaviour by each projecting moving, three-dimensional images of all the others into their own room.

Alas, when I revealed my invention to folk who knew the details of such things, they said some petty technical snag in holography ruled out the moving images required. Bang went another multi-billion fortune, and the primitive business of carting the masses bodily around the landscape survived.

While Mr Banham's forecast of its impending decline rests on less visionary technology, however, it has the advantage of existing. If I turn from the bit of it through which I'm writing, I can see the rest in the facsimile-spewers and so on beyond my office door.

So if his prediction is to be tested by Synectics methods, the presence of the gadgetry required must count as one of the minimum of three good points. A further benefit is that people could either do more work in the hours that now pass between leaving home and getting back again, or the same amount in less time.

A third, for United Kingdom citizens at least, is that fewer of us would need to submit ourselves continuously to the scant mercy of British Rail. (The number of responses to my mention of that customer-despising organisation on June 22 — I stopped counting at 200 — suggests the Prime Minister might gain by making a pledge to privatise it the main plank in her party's platform for the next general election.)

But having acknowledged the necessary three favourable points, I must say that as one of the sorts of operative most readily convertible to working at home, I almost certainly would not like it.

For one thing writing is such a mentally isolated activity that it is hard to get down to. Bernard Levin once calculated he must have consumed some 400 tons of digestive biscuits during his career, because eating yet another one always seemed a far better idea than starting to write. It strikes me that having to do it without being surrounded by other people doing it too, I would feel as remote as Captain Scott penning his last letters alone in his Antarctic tent — which would be bound to show in my results.

What is more immediately important, however, is that to at least the same degree as I regretted the absence of my colleagues, my wife would soon come to resent my continual presence at home.

That does not lead me to dismiss Mr Banham's forecast as fanciful. I suspect that what he said will prove true, and probably an underestimate, although perhaps not as fast as he supposed. But it does lead me to respond to his prediction with another: that one of the results will be a further increase in the divorce rate.

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TECHNOLOGY

When seawater oils the wheels of progress for pump design

Nick Garnett reports on a Swiss company's innovation

"YOU ARE in the sea, surrounded by sharks and all you've got on is a loin cloth." That is how Bob Dukes, manufacturing manager in the UK for Sulzer, the big Swiss equipment maker, describes the ferocious and predatory atmosphere of the world pump market, where sales volume is virtually static.

The time suppliers are given to make and deliver pumps has been halved in the past three years to about 26 weeks. Prices are rock bottom. And the scope for pump manufacturers to break away from the pack by offering a leap forward in technology is limited because of the evolutionary way that pump design develops.

However, a company offering an innovative design can still gain a competitive edge. Sulzer has just installed in the North Sea what it says is the world's first large pump for the offshore petroleum industry which uses seawater, rather than oil, for lubricating the pump's main bearings.

Sulzer says it has produced a pump which is smaller, simpler, easier to service and almost 10 per cent lighter than an equivalent oil lubricated machine.

These advantages are not academic. In offshore oil production, the expense of servicing equipment is one of the largest costs in operating a platform. Reducing the weight of equipment also makes for savings in the weight of the support structure. One estimate suggests that the cost of a rig or platform can be cut by £100,000 for every tonne of topweight saved.

The new Sulzer pump is a seawater injection machine supplied to contractors Amerada Hess for the Ivanhoe-Rob Roy Field. Such seawater injection machines — widely used in the oil industry — pump seawater into rock strata to maintain pressure and force oil out of the rock.

The difference with the Sulzer pump is that its main bearings — which support the rotor — are lubricated by seawater rather than by oil.

Product lubricated pumps have been around since the early 1970s. They are mainly small machines used for pumping clean water or petroleum.

The Sulzer pump breaks new ground in two ways. Seawater injection pumps are large and powerful machines pumping under high pressure, and the product they are pumping is far from clean: salt and sand make for a corrosive mixture.

Seawater injection pumps can be 10 metres in length, powered by motors of up to 10,000 hp and capable of shifting the equivalent of 100,000 barrels of water a day. A typical production platform will have three such machines.

There have already been design successes in the quest for smaller, lighter pumps for the oil industry. In the early 1980s, pumps were offered with bearings which incorporated an internal lube oil system, including reservoir and cooler.

This did away with the need for a separate system of tank and filters outside the pump. A typical Sulzer machine for a production platform dropped in weight from 21,500 kg to 18,000 kg, and in length by about two metres.

The removal of oil lubrication continues this trend. On conventional pumps, the bearings are on the outside of the main pump mechanism, separated by mechanical seals from the seawater rushing through the main body of the pump. With seawater lubrication, the bearings can be housed within the heart of the pump, shaving another metre or so off the length and helping to reduce weight to 16,500 kg.

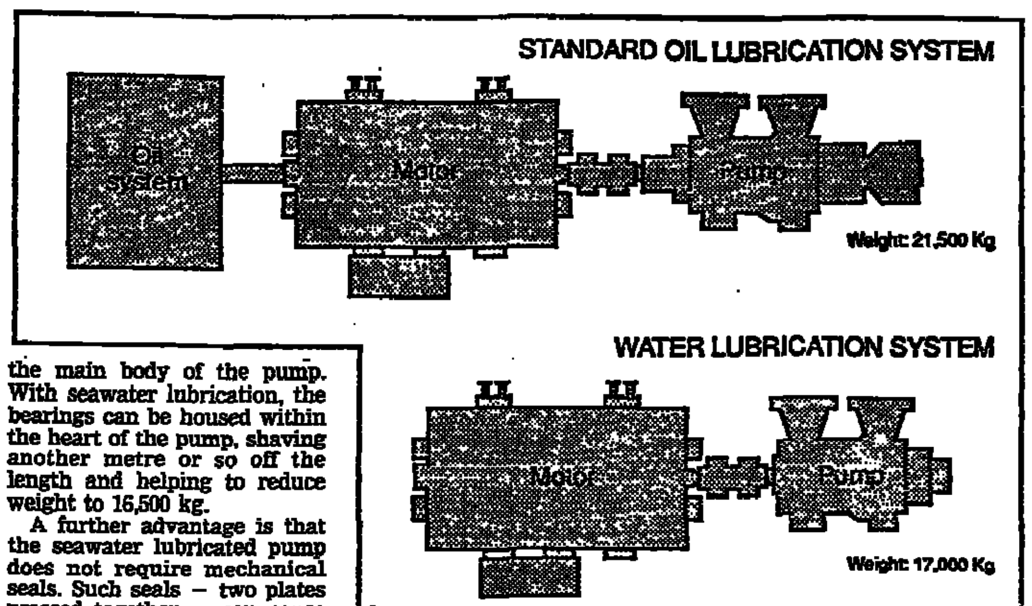
A further advantage is that the seawater lubricated pump does not require mechanical seals. Such seals — two plates pressed together — can cause wear difficulties and may have to be replaced every 8,000 hours of running. The pump also needs less instrumentation — there are no oil pressure or flow temperature gauges to monitor.

The one big potential problem with the new pump is that the bearings are subject to the corrosive effect of seawater.

Sulzer says this has been overcome by using silicon carbide on the bearings' outer surfaces.

The relatively high cost of this material and the rather more complicated engineering work involved in housing bearings within the pump means that the purchase price of Sulzer's new model is no lower than that for its conventional machines. The company says the saving is on maintenance, oil costs and platform weight.

It is bidding to supply three pumps for the Miller field, offering oil or seawater lubricated machines.



Source: Sulzer

Dashboard display on a screen

By Geoffrey Charlish

AUTODISPLAY, a Norwegian company, has been working on colour liquid crystal displays which would replace the conventional dials on vehicle dashboards with a computer driven screen, providing information as the driver needs it.

The company has just obtained Norwegian Government funds of NKr 25m (£2m) for the project.

The approach is similar to that taken by aircraft instrument makers in the so-called "glass cockpit" of aircraft like the Airbus, where the conventional electromechanical dials now have graphical equivalents on television screens.

In cars, this means that information can be derived either from within the vehicle or from remote, radio-connected sources — road, weather and accident information, for example.

Thor Kamfjord, managing director of Autodisplay, believes such displays will be essential for the realisation of the European Prometheus programme. Using Prometheus, drivers would have access to many sources of external information, including data from nearby vehicles to improve safety.

Autodisplay has prototypes which can be moulded in plastic to suit any dashboard design. The Norwegian company was set up three years ago specifically to make these products and Kamfjord believes this puts it in a strong position in relation to the European car instrument makers, which have heavy commitments to electromechanical production.

Autodisplay can be contacted on Norway, 346 4400.

Network for insurers

IN THE UK, the Lloyd's Motor Underwriters Association has decided to support Brokernet, a computer network service provided by International Network Services (INS) for the insurance industry.

Brokernet will link the brokers with the underwriters who arrange business in the Lloyd's motor insurance market, enabling them to exchange documents, such as proposals, renewals and adjustments, electronically.

INS can be contacted on UK, 093276 1020.

Aiming for a turnround without a shake-up

Clive Cookson looks at the new strategy of the UK's biggest independent computer software company

There's no business like the software business. In most industries, if a company took over a competitor which had lost more than £10m in each of the two previous years, there would be a managerial bloodbath and vigorous rationalisation.

But at SD-Scicon — formed in April when Systems Designers (SD) bought Scicon, BP's loss-making computer systems subsidiary, for £82.5m — the old Scicon managers remain in place, none of the staff has been disturbed and the company plans to increase the workforce by 10 per cent this year.

The main asset of any software company is its highly skilled — and highly mobile — staff. So SD had to tread softly to avoid driving Scicon's most talented employees into the embrace of its competitors.

It is clear from SD-Scicon's new corporate structure and business strategy, announced last week, that Philip Swinstead, the chairman, believes that Scicon can be turned round by imposing tighter financial controls and encouraging the managers to show more enterprise than they did within the bosom of BP.

"Don't forget that the management which didn't come over to us was the BP strategic management," says Swinstead, who is satisfied with the divisional management actually running Scicon.

According to Swinstead, Scicon's losses amounted to £25m over the last three years. He says BP tried "to throw money at its subsidiary" during the mid-1980s with the intention of expanding Scicon into a substantial business in BP terms by 1990. Scicon tendered for large fixed-price contracts at what Swinstead describes as "crazy prices" and incurred big losses, particularly in the US and West Germany. "The underlying Scicon business was reasonably profitable — though not as profitable as we would like."

SD-Scicon is now the largest independent computer systems and software company in the UK and number two in Europe. Its turnover — £252m in 1987 — is well behind French-based Cap-Gemini-Sogeti but just ahead of Sema, the new UK-based company created by CAP's merger with Sema-Matra of France.

More than 3,000 of the 5,500 SD-Scicon employees work in overseas subsidiaries, mainly in France, West Germany and the US. These will generally continue to operate in the way they did before the merger.

In the US, SD-Scicon has six separate companies, two inherited from Scicon and four from SD, although Swinstead says that these will operate as three businesses, covering financial, industrial and defence sectors. He plans to sell the loss-making part of Scicon's SC software subsidiary, while retaining the profitable section, which supplies vehicle emission testing systems.

The UK operations of SD-Scicon are being divided into two parts of about 1,250 employees each. One, carrying the SD name, will handle business in the government, defence and aerospace sectors. The other, called Scicon, will deal with the commercial market (the industrial, financial and energy sectors).

Although the new SD and Scicon correspond broadly with the areas in which the old companies were strongest, 350 people are transferring from the old Scicon to the new SD and 420 are going in the opposite direction. However, these are purely administrative transfers. People are not being asked to move from the Scicon headquarters in Milton Keynes, Buckinghamshire, to the SD offices about 80 miles away on the Hampshire-Surrey border, or *vice versa*, because enforced relocation would lead to the exodus of staff which the management is desperate to avoid.

Managers in both subsidiaries say there is real "synergy" between SD and Scicon. They give many examples of the way the two complement each other. In industrial systems, for instance, Scicon has proved better at controlling continuous processes and SD at batch manufacturing. In work for the army, Scicon's expertise in battlefield and weapons systems has fitted well with SD's strength in communications.

There is an interesting difference in the way the two are being organised. SD has a strong central marketing department and three divisions — systems, consultancy and a Software Technology Centre — which serve the whole of SD's public sector business.

Scicon has a less centralised structure, reflecting the more fragmented private sector marketplace. There are four autonomous businesses — Scicon Energy, Scicon Finance, Scicon Industry and Scicon Networks — with their own management boards and marketing departments.

Peter Nowottny, managing director of Scicon Energy, says he and his colleagues are thriving on their new managerial freedom outside BP. "In practice, you really do get that bit of extra energy and entrepreneurial spirit from being responsible for your own destiny."

Scicon Energy is the fastest growing part of SD-Scicon. Other multinational oil companies, which had been reluctant to give work to a BP subsidiary, are now flocking to it. Since the change of ownership, invitations to tender from oil companies other than BP have increased fourfold and contracts from non-BP sources have doubled. "What is encouraging is that our relationship with BP as a customer has not suffered; indeed it is continuing to develop," Nowottny says.

The worldwide market for computer software and services is expanding at about 20 per cent a year and SD-Scicon expects to grow more quickly than that. The highly fragmented nature of the industry gives ambitious companies plenty of scope for rapid expansion; even in the UK, SD-Scicon has no more than five per cent of the total market.

On most projects, the competition is not one of the other large software companies (say, Logica, Hoskyns or Sema). Increasingly in the public sector, SD-Scicon is competing against the hardware manufacturers for the prime contractor's role, putting together multi-million-pound computer systems. In the private sector, the real competition is often not another outside contractor but a company's in-house data processing department. And small specialised software houses continue to thrive in many commercial fields.

SD-Scicon will continue to focus on large and complex computer systems. It cannot hope to compete with the fastest growing US software companies, such as Ashton-Tate, Lotus and Microsoft, in mass-marketing microcomputer programs. Swinstead says that SD-Scicon will rely increasingly on adapting standard software products for its customers, rather that writing elaborate one-off systems. An example is Scicon's Setcon system for controlling industrial processes, which has won £3m of orders this year from the South Korean steel industry.

Swinstead sees the Far East and Europe as prime growth areas over the next five years. In the US, the company will "concentrate on particular niche applications.

"We haven't finished on the acquisition trail yet," he adds. "But first we have to prove to the market that we can turn Scicon round."

هكذا من الأصل

TELEVISION

In praise of the personal touch

Monday night's programme in the BBC1 "Byline" series, *Dinner At Noon* served as a sudden reminder of what television can be like and, poignantly and tantalisingly, of what British television *was* like, much of the time – unless memory is playing tricks – not all that long ago. For those who have not yet discovered it, this series consists of single documentaries each attempting to give a decidedly personal account of some contemporary phenomenon.

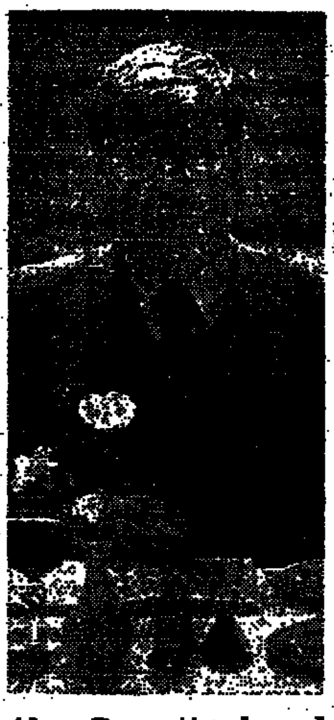
The idea, it seems, is to emulate the work of people such as Malcolm Muggeridge, James Cameron and Kenneth Allsop who, in the 1960s, delivered to our screens a succession of programmes which were not only well made and concerned with interesting subjects, but which conveyed a powerfully personal point of view.

First in the "Byline" series was *Not In Front Of The Tourists*, a report by foreign correspondent Robert Chesshyre on the astonishingly rapid development of tourism in Turkey. This was of particular interest to me, since it was screened only days after my return from a sailing holiday in the area concerned. Having so recently experienced the mid-evening power cuts in Göçek caused by the unprecedented demands of holidaymakers, and stood on a hillside behind Marmaris watching a peasant woman with a baby strapped to her back, using a mattock on a tiny strip of land which was surrounded by five or six burgeoning motels, I was quite ready for a hip-and-thigh smiting of the tourist business.

Unfortunately Chesshyre seemed to be driven by an ambivalent disdain which, on the one hand, implied that package tourists were the scum of the earth, unlike true "travellers" (though Chesshyre himself appeared to speak no Turkish and ordered a very English breakfast, just like the worst sort of packaged xenophobe) and on the other hand projected onto the Turks a "noble savage" concept which would have them stick to an ancient culture and antique habits however much they themselves might want to exploit tourism.

In the second programme, *Whose Mind Is It Anyway?* Marjorie Wallace illustrated some of the appalling effects which have resulted from the beliefs, fashionable in the 70s, that there is really no such thing as madness; that the rights of mental patients are more important than the rights of their families; and that the thing to do with mental hospitals is close them and return the inmates to the "community" – in other words their mothers' homes or bleak bed and breakfast hostels.

However, of the three programmes so far the most outstanding has been this week's from Alan Bennett. It was a vivid reminder of the very best of those personal documentaries in the past. Bennett's subject was class, and as he crouched behind his newspaper in the lounge of a Harrogate hotel, and Mike Fox poked his camera towards some splendid northern matron who sounded as though her lines had been scripted by Bennett, you suddenly remembered what a wonderful medium television can be for the personal statement.



Alan Bennett: shrewd and informative

'Television thrives and creates excitement in direct proportion to the amount of freedom it makes available for the expression of strong individual statements'

The verité footage (of the gardening enthusiasts, for instance, or the salesmen at their conference, or the mayoress who became more and more glassy-eyed as her French counterpart droned on and on in his foreign language) and Bennett's acid description of his childhood and parents – "Every family has a secret, and the secret is that it's not like other families. . . My mother's scheme of things allowed for much finer distinctions than the sociologists. . . Hobbies were another thing our family never managed" – this combination proved both entertaining and shrewdly informative.

Above all, the programmes which it recalled were those of John Betjeman, particularly *A Passion For Churches* and the unforgettable *Metroland*. Those who remember that Jonathan Stedall, the producer of *Dinner At Noon*, previously produced *Time With Betjeman* might be tempted to suggest that matters do not seem to have deteriorated so very much: like Cameron and Allsop, Betjeman is dead, but here is Bennett to continue the tradition of passing wry but fond comment upon English mores, and here is the BBC enabling it all to happen, as ever.

The trouble with that rosy view is that it leaves out so much. Yes, Bennett is with us, thank goodness, and his drama monologue series *Talking Heads* was one of the triumphs of the Spring 88 season. But where are the others like him? And while the documentaries within "Byline" are, indeed, modelled upon the deeply personal programmes of the 60s, why is such deliberation, such a studied contrivance, necessary? Nobody had to tell Cameron or Mossman or Vas to make "bylined" programmes: that is what came naturally.

Unhappily, since those days, changes have occurred in television which have reduced the supply of such programmes to a trickle. First, television as a whole has become less fashionable: the post-war enthusiasm for a new medium among the country's leading journalists (and playwrights, and indeed among trend-setters generally) has declined.

There may be a chicken-and-egg conundrum here: are fewer bright creative people attracted to television because it is now less exciting, or is it less exciting because fewer bright creative people are being attracted? A little of both, probably, though the determination of Hugh Greene to "open up" the BBC when he became Director-General in 1960, and the absence of such people today, is probably the single most important factor.

Second, the power of the producer has waxed and that of the reporter has waned. As the medium has been driven more and more by technology and bureaucracy, so the broadcasting professional – the producer – has acquired an increasingly dominant rôle, at the cost of the creative "amateur" reporter.

When the coming of Channel 4 led to the appearance of quite numerous independent producers there was some hope that they would turn out to be the new creative mavericks. Yet sadly the "indies" have proved to be anything but the poets/essayists/critics/angry young men and women, bursting to use the latest mass medium to express their joy or outrage at the condition of our society. On the contrary, most of them appear to be stereotyped small-time Thatcherite entrepreneurs whose chief ambition is to become big-time Thatcherite entrepreneurs.

It is ironic and dispiriting that the most potent piece of drama in the past week, and more, was *A Dinner Of Herbs*, the last work in BBC1's Mercer season. Though it had never been produced before, it was written towards the end of Mercer's life in the late 70s and today its insistence upon ramming together the twin passions of politics and the bedroom looks almost embarrassingly old fashioned. We are no longer accustomed to such frank expression of views on the small screen.

Television thrives and creates excitement in direct proportion to the amount of freedom it makes available for the expression of strong individual statements. There is, of course, value in the highly polished biography series, the erudite arts quiz, or the beautifully costumed period drama. But if television is to exist at the centre of our cultural life – as it *did* in the 60s when the now derided satire movement was fizzing along, when television's single plays were setting examples for the theatre and cinema, when personal documentaries represented the country's leading popular journalism, and even situation comedy was helping to create the national agenda, thanks to the potency of its individual recipes – then the freedom to make powerful personal statements must be available. Not to mention, of course, the people hungering to make them.

Christopher Dunkley

The Admirable Crichton

THEATRE ROYAL, HAYMARKET

"How shall we ever know it is morning without someone to pull up the blinds?" asks Lady Mary on being told that the staff arrangements will be skeletal on the forthcoming Pacific cruise. James Barrie's 1902 fantasy remains the classic theatrical statement of role reversal in the English class system. But it also prefigures the enchanted dreamworld of *Peter Pan* two years later, and the sleepiness that engulfs Lady Mary and her sisters before the journey is a clear indication of its alternative reality.

Frith Banbury's revival, emanating from the Theatr Clwyd at Mold, is a patchwork affair retaining vestiges of positive thinking in the design and casting departments that must be credited to the original director, Michael Rudman. Rudman left after a disagreement with Edward Fox over textual discrepancies between editions. This seems odd nit-picking on an occasion when Rex Harrison as Lord Loam can barely deliver a speech without stumbling and reads his farewell to the staff from a sheet of paper before kidding us he has forgotten a proverb. Why didn't he write that down, too?

There are other textual liberties. "A clergyman who breaks both ways is sure to get on in England", said of a cricketing cleric, is not at all the same thing as "a clergyman with a leg-break", as we have here.

This overall sloppiness apart, it is a treat to hear Harrison's lightly baked voice bidding his servants mingle with the family at the once-a-month teatime he has instituted to assuage his radical instincts. He is incapable of being anything but compulsively elegant, and perhaps the shipwrecked Lord Loam is entitled to be slightly at sea for the duration. The democratic habit is deplored by the butler Crichton whom Fox hugs ecstatically to his unyielding bosom and impenetrable intonations. The lips pucker and sneer, then catapult forth their dismay at any sign of equality. As the son of a butler and a lady's maid, the class distinctions are part of a hierarchy he energetically enforces below stairs.

Aristotle justified slavery on the grounds that some men were born with servile natures. As Max Beerbohm pointed out, this play puts an opposing view of environmental conditioning. But Fox, in the Jeevesian manner, is superior throughout, bearing his gratitude for silly-ass epigrams and patronising insults with a slow-motion, inverted hauteur. Once the company is shipwrecked on the island, he sheds his past identity like a skin but refers his domestic value to a regal past life.

The play was severely distorted in a 1960s musical, *Our Man Crichton* by Herbert Kretzmer and David Lee, to concentrate on Crichton and the Tweeny maid. But the poignancy of an impossible romance across the class barrier is what makes the play remarkable and into it Barrie pours all his mischievous yearning and frustration. Niamh Cusack's Lady Mary will live with emotional lies and regret all her life. Once the rescue has arrived and the King of Babylon has lost his Christian slave, the old order crowds in, led in the last act by Margaret Courtenay's imperiously inquisitive dowager.

For loss of innocence and spontaneity you can read sexual aridity. The Haymarket production finally ducks the challenge of really making this play work for today, as it so easily could. At least you can enjoy the beautiful structure of four perfectly contrived acts. Hayden Griffin's design of handsome Mayfair interior and Pacific clumps of boulder and fern takes a leaf out of John Napier's for the RSC *Peter Pan*, and Matthew Scott's entr'acte string music is an enchanting mock Edwardian pot pourri of drowsiness and brisk etiquette with hints of Elgar and Eric Coates.

At root, the play is really about the politics of class, and the most devious manipulative specimen of the game is offered by Edward Tudor-Pole (formerly Tenpole Tudor of the Sex Pistols, and a dangerously threatening guide down Jim Cartwright's *Road*) whose chinless witterings have by the end resulted in a well-reviewed, heavily laundered account of the distant sojourn putting everyone else firmly in their place and himself on an undeserved heroic pedestal.

Michael Coveney

Alastair Muir

Rex Harrison and Edward Fox

Hyde Park

THE PIT

At the start of Shirley's comedy of 1632, Mistress Bonavent, convinced that her husband must have been lost at sea, is married to Lacy, and there is every outlook of a happy life together. It is true that her husband enjoined her to wait seven years before she gives him up, and the time is not yet finished, but details like this are easily overlooked in the easy-going society in which they live.

Two other love-affairs overflow into their household. Mistress Bonavent's cousin Carol is pursued by three suitors, Venture and Rider, whom she doesn't take seriously (though Venture writes her a splendid poem that she misuses disgracefully), and Fairfield, whom she takes seriously enough to dispense with in a scene of formal renunciation that looks forward to Restoration manners. Meanwhile the unlikeable Trier has introduced his Julietta to the lecherous Lord Bonvile as a "lady of pleasure," as if to test her fidelity to himself.

The Lacys' company is joined by a bearded stranger whom they humiliate by making him dance in a set unfamiliar to him, an insult that so rankles with him that later, when they are all in Hyde Park for the races, he challenges Lacy to a duel to the sound of the bagpipes.

These three stories are pursued to their ends through a series of excellently comic or alarming scenes that include as detailed a seduction (Bonvile's of Julietta) as a comedy may offer. The conclusions are in each case the most probably improbable – Carol and Fairfield are reconciled, Julietta rightly prefers Bonvile to Trier, and the bearded stranger, having turned up in a further, even more impenetrable, disguise, reveals himself clean-shaven and in Service Dress uniform as Mistress Bonavent's long-absent husband. Mistress Bonavent throws her Lacy over at once and returns happily to her old love.

Barry Kyle has chosen to direct this in costumes suggesting an earlier time in the present century, and has placed the young folk into a kind of Du Maurier artistic set that distinguishes them neatly from Bonvile's superior manners. Everything is illuminated by the use of telling detail, such as the tictac at the Hyde Park races. The initial scene, where the men are discussing their women, is played in a studio and the women ingeniously represented by their portraits.

In an excellent company, Fiona Shaw's Carol and Alex Jennings's Fairfield stand out as a kind of Beatrice and Benedict that would be even better if Mr Jennings, so good in his quieter moments, would play his higher emotions in a lower key. The Pit is not Stratford's Swan. John Carlisle gives a fine representation of aristocratic lechery.

Two players are changed from the Stratford cast – Kate Littlewood is the marrying Mistress Bonavent and Gregory Doran as Rider is the first of the young men to produce an unexpected sword from under his 20th-century kit. Gerard Howland's designs include an instantaneous Hyde Park, and there is music by Jeremy Sams in the manner of the English composers of the beginning of this century. The whole evening is a joy.

B.A.Young

Alastair Muir

Fiona Shaw in *Hyde Park*

Lyons Opera Orchestra

Albert Hall

As a pendant to Sunday's Prom performance of *Pelléas et Mélisande*, the orchestra of the Opéra de Lyon under John Eliot Gardiner gave the following evening a concert of works by Bizet, Fauré, Ravel and Berlioz. This was a programme of music by Frenchmen from the South, music of candour and clarity, and it was played by a French orchestra from the South in exactly that spirit. Founded in 1983, the Opéra de Lyon band was hand-picked by Gardiner, who has developed it into a notably fresh and responsive instrument. The youthfulness of most of the players seems mirrored in the orchestra's corporate sound-identity.

In the suite from Bizet's *L'Arlésienne music*, played here in the original theatre-band scoring, the airy acuteness of solo melodies and the springy rhythms bore this out, at the same time putting one in mind of this conductor's incomparable mastery of Rameau. The four numbers from Fauré's *Pelléas* Suite were of ideal poise – in such performances the subtlety and suggestiveness of Fauré's invention earns this a place among the great theatre-music scores.

It was only in the intelligently delivered account of Berlioz's *Harold in Italy*, after the interval, with Zoltan Toth (the orchestra's first viola) as a sensitive but too reticent soloist, that one began to notice any lack of the higher degrees of refinement in orchestral timbre-combination. In the "Brigands' Orgy" finale, Gardiner showed an unfamiliar rhythmic cautiousness that would have been wholly unexpected if a similar weakness had not been evident in the performance of Ravel's Left-hand Concerto before the interval.

The pianist, François-René Duchable, was elegant, accurate, dry; there is a native French tradition for viewing Ravel's music with studied detachment, and it is an honourable one, but here somewhat too studiously invoked. This was altogether a tidy and musicianly reading, but the dark hues and baleful energies of Ravel's fantasy were insufficiently remarked in it.

* * *

Later on Monday evening the Proms decamped to the Kensington Town Hall for a music-theatre event by Lontano. Hearing Judith Weir's *The Consolations of Scholarship* (1985) in the retrospective light shed by her outstandingly successful opera *A Night at the Chinese Opera* (1986) was a fascinating and instructive experience. The earlier work, for female reciter-singer and orchestra, bases itself on the same Chinese raw material, and appears to propose witty, compact dramatic ideas and possibilities later to be fulfilled with such remarkable skill.

Weir is an original, and the British music scene is immeasurably the richer for her existence. Under Odaline de la Martinez the playing was uniformly loud and unvaried, the reciting by Linda Hirst more appealing than the singing. It was an unwise idea to follow this with a revival of Berio's Recital I (1972), the showpiece written to combine all of Cathy Berberian's multifarious talents.

Miss Hirst's English-rose personality was not well accommodated in the aging prima donna role, and her voice in current estate was uncomfortable to listen to. After 20 minutes I crept out of the hall: *Recital I* was a rum confection even when Berberian performed it, and, without her, it sank on this occasion into squirm-making embarrassment.

Max Loppert

ARTS GUIDE

August 5-11

THEATRE

London

Too Clever By Half (Old Vic). A fizzing Gogolian production by Richard Jones of Ostrovsky's Diary of a Scoundrel in an old Rodney Ackland version, with remarkable Expressionist designs by Richard Hudson and a brilliant central performance by newcomer Alex Jennings. Until August 13. (928 7616, credit card bookings 261 1821).

Easy Virtue (Garrick). Transfer of King's Head revival of early Noel Coward, same period but lesser vintage than Hay Fever, but worth seeing. (379 6107).

South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, with Gemma Craven failing to wash the baritonal Emile Belcourt out of her hair. (839 5989).

The Phantom of the Opera (Her Majesty's). Spectacular, emotionally nourishing new musical by Andrew Lloyd Webber. (839 2244, credit cards 379 6131/240 7200).

Follies (Shaftesbury). Eartha Kitt and Millicent Martin now decorate Mike Ockrent's strong revival of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre. (379 5399).

Hapgood (Aldwych). New Tom Stoppard mixes espionage, romance and higher physics. Felicity Kendal is the eponymous intelligence agent, Roger Rees and Nigel Hawthorne in elegant support. (836 6404, credit cards 379 6233).

Netherlands

Amsterdam, Stadsschouwburg. The English-Speaking Theatre of Amsterdam in Agnes of God by John Pielmaier, directed by Bryce Pederson. Thur. (24 23 11).

New York

Cats (Winter Garden). Still a sell-out. Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline. (239 6262).

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Les Misérables (Broadway). Led by Colm Wilkinson, repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama. (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its US incarnation: the skaters do not have to go round the whole theatre but do get good exercise on the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up, silly plot. (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit. (947 0033).

M. Butterfly, (Eugene O'Neill): The 1988 surprise Tony winner is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy. (246 0220)

Speed-the-Plow, (Royale): David Mamet applies his biting sarcasm and ear for the exaggerations of American language to Hollywood in this screamingly funny and well-plotted expose of the film industry. (239 6200).

Stranger Here Myself, (Public): Angelina Roux performs two decades of Kurt Weill's songs in a one-woman show covering the composer's careers in Berlin, Paris and New York. (598-7100).

Washington

Les Misérables (Kennedy Center Opera House). The touring company of the international hit of last season brings to Washington the historical sweep of Victor Hugo, set to music and an insistent contemporary beat. Ends Oct 15. (254 3770).

Sleuth, (Eisenhower): Stacy Keach and Maxwell Caulfield star in the mystery pitting a mystery writer against a mild-mannered travel agent who's stolen his wife's affections. (254 3670).

Tokyo

Comet Messenger - Siegfried. Parthenon (open air theatre) Tama. (496 1051) Described as a "kinetic theatrical fantasy on the evolution of man and his dream of flight", this production by Japan's liveliest experimental group, Yume no Yuminsha, returns to Tokyo following performances at the first New York International Festival of the Arts. Based in part on Wagner's Ring cycle, the play features three sisters called Val, Ky and Rie - as well as Galileo, Tom Sawyer, Nostradamus, a coelacanth and God! Ends August 14.(496 1051).

Yerma (Ginza Saison Theatre). Nuria Espert in Federico Garcia Lorca's poetic tragedy of a woman cursed by infertility. Victor Garcia's famous production, with its giant trampoline suggesting a womb, made a huge impression more than a decade ago, but might now seem somewhat dated. However, Espert is undoubtedly one of the world's greatest actresses. (In Spanish). Ends August 11. (535 0555).

La Sylphide

FESTIVAL HALL

In the closing week of its summer season, London Festival Ballet revives one of its best productions. Peter Schaufuss' version of Bournonville's early masterpiece is scrupulous in respecting tradition, while expanding or restoring certain incidents in order to plump out the dance action.

There results a view of this Romantic tragedy which encourages its casts to make the most of the adorable artifices of the period, to be ethereal, quaintly Hibernian, or as the occasion permits, exultantly evil. So it proved last night when Andria Hall was the sylph, Patrick Armand her James, Niels Bjorn Larsen the witch, Madge, with a strong supporting cast of lads, lasses, and wisps of mist posing as mountain sprites.

Miss Hall is a decorous sylphide. Not for her the pinnacles of the role, in joy or suffering or delicious caprices of dance. Here is an honest, balanced account, and one which – on the evening when she throws dramatic caution to the winds and bares the sylph's soul - could be outstanding.

There is no reserve about M. Armand's James. He gives an ardent portrait of the young crofter, vivid in emotion as in dance, bounding through his variations with an electric response to rhythm and choreographic shape. Jameses are of two kinds: nobly reserved and distraught, or passionate and mercurial in movement. M. Armand is of the latter type, and he shapes the ballet with a fine edge of psychic and physical daring to his interpretation. The fevers of the original tale are there for us to see. Torn in his feelings about the sylphide, drawn to her yet fighting her attractions in the first act, M. Armand is authentically the hero imagined by the 1830s, and believable.

About Niels Bjorn Larsen's Madge, it suffices to say that this eminent Danish artist continues to explore and develop a role he has already made unforgettably his own. Tiny touches in the relationship with Gurn; what seem to me fresh aspects of the witch's malice as she fondles the poisoned scarf; these suggest a continuing quest for insights into character. But this has ever been the sign of the Danish Ballet's grandest performers, of whom Mr Larsen is one.

I record that the production had its rough and ready moments last night, not least in the management's decision to show us an old-fashioned pea-souper to introduce (and subsequently hide) the witches' scene. But it was on all other counts, an honourable and committed view of a balletic masterpiece.

Clement Crisp

FINANCIAL TIMES

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Ceasefire in the Gulf

THERE IS one outstanding reason why the ceasefire in the Iran-Iraq conflict should be welcomed by the international community, apart from the obvious one that it puts an end to an 8-year-long war which has cost the lives of 1m people and destabilised a whole region. The end to the hostilities which, it is hoped, will eventually lead to a lasting settlement, has been achieved as a result of a new-found consensus among the permanent members of the United Nations Security Council, particularly the US and the Soviet Union. Even more than the Soviet military withdrawal from Afghanistan, the Gulf ceasefire has demonstrated that the most intractable regional problems are soluble once Washington and Moscow agree on a common objective and the means to achieve it.

It was international pressure, exemplified by the unanimous stance of the UN Security Council, which finally forced Iraq to drop its insistence that direct talks between the belligerents should precede a cease-fire. If, as a consequence, the role of the UN and its tireless Secretary-General, Mr Perez de Cuellar, appear to have been enhanced, that is mainly due to the strength of the support that the major powers have given to his peace-making efforts.

Hostility

Mr Perez de Cuellar will sorely need a continuation of that international solidarity for his peace-keeping operations in Iran and Iraq. The Reagan Administration, in particular, has, until very lately, shown a hostility to the UN, which has been reflected in its financial contributions. Responsible for 25 per cent of the funding of the UN, Washington is presently in arrears to its regular budget to the tune of more than dollars 460m and by another dollars 70m for special peace-keeping activities.

The time has come for the US to rectify a situation which is facing the UN with insolvency by the end of this year. As it is, the new 350-strong UN Iran-Iraq Military Observer Group (UNIIMOG), which will monitor the truce, seems inadequate even for the limited job it has been assigned. It will have to patrol a 740-mile front, face two opposing armies imbued with a quite unusual degree of hate for each other, and deal with irregular forces, such as Kurds, Iranian dissidents supported by Baghdad and Iranian-backed Iraqi fundamentalists opposed to President Saddam Hussein.

Will-power

Just to prevent fighting from breaking out again will be difficult enough. The solution to more fundamental problems will be a Herculean task for Mr Perez de Cuellar, given the climate of deep mutual hostility and distrust between Iran and Iraq. For the two sides even to talk to each other face-to-face, five days after the coming into effect of the cease-fire on August 20, will require great will-power and self-control. They will then have to deal with a number of basic disagreements between them, any one of which could be used as a pretext for a resumption of hostilities.

Among the main stumbling-blocks are troop withdrawals to mutually agreed borders, since these are themselves in dispute. At the beginning of the war in 1980, President Saddam Hussein tore up the 1975 treaty which established the border running down the centre of the strategic Shatt al-Arab waterway. For Iraq, the Shatt is the only direct outlet to the Gulf from the port city of Basra, but Iran will also insist on guaranteed access to the Gulf via this waterway. The exchange of prisoners promises to be another thorny issue.

Nor is it possible to conceive at the moment that either Baghdad or Tehran would ever accept an adverse verdict from the impartial inquiry into which side started the war, which is to be set up under the UN's resolution 598.

Mr Perez de Cuellar needs more than normal negotiating skills if he is to mediate effectively between two such radically opposed nations. To stand the slightest chance of success he must be assured, not only of the moral backing of the superpowers and the other members of the Security Council, but of their active diplomatic and material support.

Subsidies for small firms

THE THATCHER Government is sceptical of the merits of public-sector intervention in the economy. So it should not be too surprised that its policy of greatly increasing assistance for small firms has been only a limited success. According to a National Audit Office analysis published yesterday, 43 per cent of businesses supported by the Enterprise Allowance Scheme have failed within three years, while 42 per cent of loans extended under the Loan Guarantee Scheme have been the subject of default.

Schemes of this sort were introduced in the early 1980s as much for political as economic reasons. The Government wanted to be seen to be doing something about unemployment, which was then rising very rapidly. Inexpensive measures to boost enterprise fitted the bill nicely. High failure rates were anticipated, but arguably not as high as have been experienced. The Loan Guarantee Scheme, for example, was expected to be self-financing, yet it has consistently lost money as called guarantees have outstripped repayments.

The problem seems to lie partly in the design of the programmes. An unemployed person who wants to start a business can get a weekly allowance of £40 under the Enterprise Allowance Scheme - with very few questions asked. Virtually no training is required: would-be entrepreneurs are put through one-day "business awareness" sessions and then allowed to get on with it. There is no viability test and only activities, such as pornography, which are clearly unsuited to public funding, are ruled out. This does not prevent the taxpayer supporting many extremely marginal activities, such as busking.

The scheme, which has attracted more than 300,000 entrants, has been a fairly effective means of reducing the headline unemployment total. But its broader value is questionable. The audit office notes that 4 per cent of the firms created through the scheme are responsible for 60 per cent of all the new jobs. This suggests that the relief is poorly targeted. There are also serious "deadweight" and "displacement" costs: 44 per cent of participants would have set up new businesses anyway and half of the firms created merely displaced existing businesses.

Similar strictures apply to the Loan Guarantee Scheme. Looked at in isolation, it appears to work quite well as a small-scale job creation mechanism: employment in a sample of "survivor" firms more than doubled after receipt of the scheme loan. But it fails in its objective of only providing cash to firms that could not raise it through more conventional channels. It appears that no more than 50 per cent of the loans reach the target firms – in other words those that really could not borrow elsewhere.

The audit office, which is independent of the government, concludes that considerably improved value for money could be achieved if "support were more closely targeted to those most likely to benefit". And it is particularly critical of the lack of viability testing and training associated with Enterprise Allowance Scheme. Mr Norman Fowler, the Employment Secretary, should heed these criticisms. It is surely quite unrealistic to suppose that the average unemployed person can be transformed into an effective entrepreneur in a one day "awareness" session. Many recipients of the £40 allowance are probably not ready for entrepreneurship and would do better learning skills that would make them employable by larger, viable businesses.

Indeed, an integration of the Enterprise Allowance Scheme and the new Employment Training programme might be beneficial. The entrepreneurship subsidy could be made available only to those who have first acquired suitable skills through, say, a six month training programme. That would lower the failure rate and weed out applicants who had not thought through the complexities of creating a new firm. With the rate of unemployment still falling rapidly, the Government can afford to worry less about manipulating the jobless figures and more about improving the quality of all forms of training.

David Marsh begins a series of articles on West Germany's fading dynamism

The slow man of Europe

"I know that the outward, visible and tangible signs and symbols of happiness and achievement often only appear when in reality everything is already starting to go downhill again. These outer signs take time to arrive – like the light of a star which shines most brightly when it is on the way to being extinguished – or maybe has already gone out."

Mr Martin Bangemann, the Bonn Economics Minister, likes to quote these lines from Thomas Mann's novel Buddenbrooks – the story of a well-to-do north German family caught in genteel decline – to illustrate what might be happening to the West German economy.

The literary extracts are just part of the ammunition which has been hurled into the fray during a characteristically intense West German debate this year on the country's industrial future.

Focused on the catch-phrase *Industriestandort Deutschland* – Germany as an industrial base – a bewildering variety of fact and rhetoric has been served up to try to answer some worrying questions about fading dynamism in western Europe's largest economy.

In spite of – and partly because of – its evident prosperity, the Federal Republic may now permanently face economic growth well below the average of its trading partners. The country has so far shown reluctance to adapt an economic and social structure which served it well during the "miracle" post-war recovery in the 1950s and 1960s, but may be less suited for the more complex and competitive world of the 1980s.

The Organisation for Economic Co-operation and Development (OECD) suggested in July that the country could be entering a "vicious circle" of sluggish investment and job creation, where low growth feeds on itself.

Deregulation and tax cuts in the US and Britain have unleashed a flood of well-broadcast concern from West German industrialists. They claim that the Federal Republic's high corporate taxes and labour costs, as well as the Bonn coalition-Government's inability to speed up deregulation and cut subsidies, are damaging the country's manufacturing competitiveness.

In reality, the West German business community is as responsible as anyone for the economic rigidities. Industry-wide wage bargaining, and agreements between Government, employers and employee representatives in fields ranging from social security to subsidies for coal-mining and the railways have created both stability and inflexibility.

However, the latest outbreak of business anxiety has been stimulated by the EC's plans to create a genuine internal market from the end of 1992. The gradual removal of borders would lay West Germany open to the risk of investment and workers migrating to cheaper and less regulated production sites in the EC – a trend already seen in some highly competitive areas such as car components.

West German trade unions see the industrialists' protests, with some justification, as part of a well-orchestrated campaign to keep down wage costs. Since the centre-right coalition led by Chancellor Helmut Kohl and his Christian Democrats came to power in 1982, real wage rises have been very restrained – about 1 per cent a year on average – and corporate profits have risen sharply.

The unions also suspect that employers are using the competitiveness campaign to prepare for fresh job reductions in key areas like the car industry. Volkswagen and Opel have already announced big job cuts and rationalisation drives this summer, while Daimler-Benz, the country's largest company, may follow suit in response to a large fall in car orders this year.

Any assessment of the consensus-based West German approach to industry must also take account of its undoubted strengths – including the country's widely-hailed job training system, the positive aspects of Government-industry links especially at the regional level, and the new entrepreneurs who, despite all the impediments, have been able to grow up and prosper in the past few years.

All the same, the Bonn Government has now served notice that at least parts of the system need to be changed. It has made a start on deregulation of the telecommunications sector. It is trying to push through – against heavy opposition from trade unions and retail groups – a bill to allow shops to open longer one day a week. And it will be devoting much parliamentary time to attempts to achieve a thorough reform of the country's costly health and pensions schemes, which are an important factor in driving up overall labour costs to the second highest in the world (after Switzerland).

Mr Kohl has also gone some way towards mollifying critics in the Bundesverband der Deutschen Industrie (BDI), the industry confederation, by proclaiming that cuts in business taxes will be a priority for the first part of the next legislative period – provided he wins the 1990 election.

But top BDI officials admit that the debate over competitiveness has threatened to become counter-productive by focusing the attention of foreign investors on West Germany's deficiencies. And, on one level, it seems like a typical piece of exaggerated West German self-analysis.

A similar debate over allegedly falling competitiveness raged at the beginning of the 1980s when, for three years (between 1979 and 1981), the Federal Republic chalked up an unaccustomed current account deficit. Since then, the country has returned to massive current account surplus. The surplus – a record DM 85bn ($26.7bn) in 1986, dropping slightly to DM 81bn ($27.5bn) last year – is likely to recede again only marginally this year as a result of the unexpected resilience of exports, aided by the sharp weakening of the D-Mark from its high at the end of 1987.

The latest outbreak of business anxiety has been stimulated by the EC's plans to create a genuine internal market from 1992

Although West Germany has done less well than the US and Japan in growth areas like office automation and communications technology, there has been no evident fall in technological competitiveness in the capital good sectors which form the mainstay of its exports.

Significantly, West Germany's share of the EC market – which accounted for nearly 53 per cent of its total exports last year – has been growing. West Germany's EC exports made up 28 per cent of total intra-EC trade last year against 27 per cent in 1980-81.

However, the strong performance of exports is partly a sign that the domestic economy has lost steam.

In spite of a rally in consumer demand over the past two years, caused above all by the effect on spending power of the renewed rise in the D-Mark and the collapse in oil prices, the country has not found a way of channelling its huge excess of domestic private savings into productive investment.

Last year, effectively more than half the savings of private households were transferred into capital exports – the necessary counterpart to the current account surplus. The Government has lost the confidence of a sizeable portion of industry that it can rally the political will to correct these basic imbalances.

Mr Rudolf von Bennigsen-Förder, chairman of energy conglomerate Veba and a member of the Christian Democrats, is an *éminence grise* of the industrial establishment. He says cuttingly, "the Social Democratic Party does not understand anything about money. The Christian Democratic Union does not understand anything about money." He adds that the SPD is at least aware of its ignorance.

Mr Hans-Peter Fröhlich, of the Institut der Deutschen Wirtschaft, an economic research organisation close to the BDI, says that ministers "simply pay lip-service to liberal ideas – they have no comprehensive economic policy." West Germany's large current account surpluses are "unfortunate", he says. "This removes pressure on the politicians to revitalise the economy."

Investment sluggishness underlines that no revitalisation is in sight. Gross fixed asset investment by private industry rose in real terms by 3 per cent last year after rises of 4.3 per cent in 1986 and 5 per cent in 1985. On a wider definition, growth of fixed asset formation by the overall business sector has slowed drastically from an annual average rate of more than 3.5 per cent in 1965-73 to 1.5 per cent in 1979-86. Above all, this reflects a big drop in construction investment. Investment by the public sector has also slowed sharply since 1975.

The OECD links this investment weakness to that fact that there are now many more industries where potential output is falling. Five out of a total of 33 industry sectors fell into this category in the pre-1973 period; 17 did so in 1979-86.

At the same time, direct investment abroad has risen sharply during the past few years. According to figures from the Bundesbank, it has nearly doubled from DM 9bn between 1982-84 to an average of DM 17bn a year during the last three years.

This increase partly reflects efforts, particularly by the chemicals companies to raise international market share, especially in the US. But the foreign spending boom also reflects less attractive conditions at home. Foreign companies' new investments in West Germany over the two 3-year periods have fallen slightly to an average of DM 2.5bn from DM 2.7bn.

Significantly, a contraction in domestic fixed asset formation by manufacturing and construction has coincided with expansion in the private service sector, where employment has been increasing. But services growth would have been much higher if the Government had been more adventurous in cutting regulations and red tape.

West Germany's investment weakness is linked, both directly and indirectly, to its demographic problems. Falling demand for schools, homes and public service buildings has had, and will have, a particular effect on the construction industry.

Birth rates are falling in most industrialised countries. But the fall in West Germany's population started earlier (in 1973) and is projected to fall further (down about 25 per cent during the next half-century) than in any other OECD member.

By the year 2030, the proportion of the West German population aged 65 and over, which was 9.4 per cent in 1950 and 15.5 per cent in 1980, is projected to rise to 25.8 per cent – the highest of any OECD member apart from Switzerland.

Provided imbalances in the pensions and social security system can be corrected, and the country makes other efforts to adapt – above all by raising productivity – the declining population does not necessarily give West Germany a large handicap.

In view of falling expenditure on education and family benefits, the OECD even predicts that West Germany will be one of the few OECD countries where total social security spending will fall in real terms up to the year 2040.

The population trend will also possibly give West Germany a natural *rentier* role as a capital exporter. But the country will only surmount these demographic obstacles if it recovers the dynamism which at the moment seems to be lacking.

The problem is that, over the long term, as Mr Wolfgang Schaeuble, a top official in the Chancellor's Office, pointed out earlier this summer, West Germany will age not only quantitatively but also psychologically.

"Old people tend towards caution, and fear, are afraid about losing things, hesitate to take risks, and are necessarily more concerned with themselves." He added that these characteristics could already be observed across West German society.

Further articles in this series will appear over the next few weeks.

OBSERVER

Prize stink at NatWest

■ Alan Jones, who runs the commercial banking services at NatWest Bank, knows what it is to be in a cloud of hornets.

Hoping to encourage the bank's UK staff to come up with new ideas for Transmission Data Capture (TDC), he organised a quiz with first prize of a two-week holiday in the Canary Islands, and several more holidays in Jersey for runners-up.

If TDC means nothing to you, it meant just as little to the vast majority of NatWest's staff. Jones was besieged by angry would-be Canary-goers who complained that TDC was such an esoteric subject that they did not stand a chance of winning a trip to the sun.

Their fury boiled over into the correspondence columns of the staff magazine Bankground yesterday. Typical was a letter from a bank officer in Manchester who said: "We are always being reminded that we are a team, but after seeing such a one-sided competition as this we very much doubt it." Another correspondent suggested that Jones plan more competitions around such refined subjects as computer input forms or changes in tax codes.

But Jones refuses to be downhearted. His competition produced many bright ideas, he says. As for the tough questions which people complained of, "the answers were readily available, particularly from Book G of the bank's Book of Instructions." So there.

Achtung Art

■ West Germany is fed up with its international image of paunchy, middle-aged, immobilism. The country's official contribution to the cultural programme of the Seoul Olympics is a DM4m disco, currently under construction in the city's Ankara Square.

This however is no ordinary disco. It is an 'art' disco, the product of a group of leading young architects, lighting designers, artists and musicians. And if you were thinking of popping in for a quick bop, forget it.

According to the press release: "The disco is an artificial organism which will draw the visitor irresistibly into a vortex. Free-floating signs, symbols, pictures, shapes, sounds and information will create a pulsating stream of events, a continually changing happening. Coquetry, artificiality and ecstasy; this disco was not designed to impart clumsy content or statement – imponderability versus didactic manner. It is the Art Disco's intention to take juvenile vital consciousness to its limits."

The Goethe Institute, which is in charge of the disco, is more used to providing the Koreans with chamber orchestras, but claims to be very excited by the project. What the rest of the world will make of its "improvisational possibilities" remains to be seen.

"See? Even you won't refuse me unlimited credit."

Marisa's heirs

■ Can the succession to the late Marisa Bellisario as managing director of Italtel, the Italian state-owned telecommunications company, be decided purely on managerial merit, or must politics prevail?

Two powerful Italians will be pondering their almost certainly conflicting tactics in their holiday retreats this week – Romano Prodi as he bicycles up and down the hills around his native Bologna and Bettino Craxi at his villa in the Tunisian resort of Hammamet.

Prodi, the boss of Iri, Italtel's parent company, must want to put management before politics – as he recently proved by sidestepping the parties and slotting Carlo Verri in as president of Alitalia. It will be surprising if one of the names on his short-list is not Salvatore Randi, the current director general of Iri's Stet, the telecommunications holding company. Randi was Fiat's preferred choice as managing director of the proposed Telit, and Turin called off the merger between Italtel and Telettra last autumn when Iri insisted that the job had to go to Ms Bellisario.

She was identified as coming from the "Socialist area", but was in no way proof that a party label guarantees second-rate managerial quality. Rather the opposite. But as leader of the Socialist party, Craxi will be determined to keep the Italtel job within his orbit and, according to speculation in Rome, already has it in mind to liberate Roberto d'Alessandro from the labour relations agonies he has been suffering in trying to modernise the port of Genoa.

Bulldog's back

■ My holiday reading this year included a return after many decades to Bulldog Drummond, and I have to say it was a deeply disappointing experience.

The tales which enthralled my childhood seemed dreadfully dated in terms of style and social attitudes. I hesitate to say that Sapper's plots are absurd because similar criticisms can be levelled against newer thrillers like James Bond. But they stretch credulity in other ways.

For example, in "Bulldog Drummond", the first of the series written in 1920, a dastardly plot to turn England over to Bolshevik revolutionaries is hatched in the unlikely venue of The Elms, Godalming, to which Drummond is constantly racing from his apartment in Half Moon Street in his two seater roadster.

The climax of the story comes when the villainous Lakington is being wrestled into his own acid bath by Drummond. The story continues: "Relentlessly he felt himself being forced towards the deadly liquid he had prepared for Drummond, and as the irony of the thing struck him, the sweat broke out on his forehead and he cursed aloud."

Alas, Lakington's belated perspirations failed to save him, and moments later he was dead. Unlike Bond, Drummond does not have a licence to kill, but Sapper justifies his hero's killings as stamping out villainy, which is an interesting reflection on post-World War 1 mores.

But I'm probably in a minority in thinking that Bulldog Drummond has not survived the passage of time: Puffin Books have just begun to re-issue him.

Spot on

■ Worried baldies can get a free check-up and advice all this week from the Svenson Hair Replacement Centre in London. The Centre is at 74, Wigmore Street.

David Lascelles

For Britain's gilts traders euphoria is just a memory. Simon Holberton reports

How a market was brought to its knees

THIS IS not a happy Summer for traders of the British Government's debt. Nearly two years after Big Bang a market that showed so much promise is now on its knees.

The euphoria of the first year of the gilt-edged securities market has gone. A market which saw the amount of capital dedicated to it jump six fold to £600m at the time of Big Bang is making only tiny trading profits which are insufficient to cover overhead costs let alone provide a healthy positive return on capital.

Two weeks ago Mr John Quinton, chairman of Barclays Bank, said that profits from the gilts operation of Barclays de Zoete Wedd, one of the biggest operators in the market, had failed to cover costs in the first half of this year.

The Wedd part of BZW, formally Wedd Durlacher and Mordaunt, was one of the biggest and most profitable of the four primary dealers in the pre-Big Bang money-for-jam days. A suggestion then that Wedd Durlacher and Mordaunt, as it was then known, had failed to cover costs would have generated a shudder to rock the foundations of even the Bank of England.

Managers of the gilt-edged market makers are uncertain about the future. Some would charge they are unwilling to take the decisions necessary to restore the market to a level of acceptable profitability either by closing up shop or "restructuring" their current operations.

There are, according to Baines Gwimmer, a head-hunter specialising in financial services, about 650 men and women engaged in trading and selling gilts, excluding juniors. On top of that there are about 30 traders and around 40 salesmen currently unemployed.

"There is a great feeling of uncertainty and a sense of insecurity pervading the whole market," says Mr Jonathan Baines, a consultant with the firm. "This in turn has created an unwillingness to look at future opportunities."

Highly paid and motivated traders, salesmen and analysts now sit in high-tech trading rooms wondering what they are doing. They are only too aware that the amount of business currently being done in the market is insufficient to sustain 23 independent and costly operations, soon to be 24 when Daiwa Securities commences business later in the year.

They have developed a macabre sense of humour. A competitor closes down and a cheer goes up in the dealing rooms of those still trading. Some pause to think if it will be their turn next. Among the mostly Tory-voting members of the market, dealers have started talking (half seriously) about the election of a Labour Government being the best case for the . . at least the Government will be spending and have to finance it by the sales of gilt-edged securities.

The reason for the market's malaise is simple. The Government does not have to borrow any more and there are too many market makers fighting over a stagnating market.

This wholly unexpected transformation of the Government's finances has meant that this year the Bank of England does not have to make any net addition to the national debt – a near £200bn mountain which consists mostly of gilt-edged securities. It is more than likely that this year and for the first time in nearly 50 years the national debt will actually contract. This may well be repeated in 1989/90 and 1990/91 as well.

A consequence of this is that the market, which over the past 300 years has

The Bank of England is watching the depression with detachment

grown up thinking of itself as an important institution and a key arena for the operation of the Government's monetary policy, no longer thinks the Government believes it to be important.

"We still make a big fuss of the gilts market," says Mr Gavyn Davies, of Goldman Sachs, "but that's a throwback to the time when the market was crucial to the Government. The Government is now less in the hands of its creditors and that's not a bad thing."

Gilt traders make their money through trading, and the principal motor of the market has been frequent issues of stock. A new tranche generates business and activity, such as today's auction of £750m short-dated gilts. If it is issued in uncertain times the prices can move considerably and if one reads the market properly sizeable profits can be generated.

Since December, however, the gilt market has foundered. Trading volumes are at very low levels and liquidity is poor. New issue of gilts have become less frequent.

On Monday last week, trading in the long gilt future on the London International Financial Futures Exchange fell to its lowest level since Big Bang, just 2,000 contracts compared with a year earlier when more than 25,000 contracts was the order of the day. A trader at Nomura, the Japanese securities house which started making markets in gilts that day, asked his contact at the Bank: "Is it usually as quiet as this?"

An analysis of turnover and trading in gilts on Liffe and the physical market by Mr Glenn Davies and Miss Katherine Jolley of the gilt traders CL-Alexanders Laing and Cruickshank, shows that there has been a large shift in the structure of the market.

Turnover in short-dated maturities (gilts of less than seven years' maturity and the ones which generate the least income) has grown from around 35 per cent of total market turnover a year ago to more than 50 per cent now.

In all, the value of all gilts sold is only slightly down on a year ago, but more significantly for the smaller firms, the volume of trading is down considerably. The number of trades done in the market is 20 per cent lower than a year ago; for long-dated maturities the number of trades is down by 50 per cent and at near pre-Big Bang levels.

This has led, in all probability, to a greater concentration of business among the "Big Four" – BZW, Greenwell Montagu, Philips and Drew and Warburg Securities – at the expense of smaller operators.

"We can live with the idea of the stock of gilts not growing, but the idea of the market contracting is a bit more worrying," says Mr John Shepperd of Warburg Securities.

The Bank of England watches the current bout of depression in the gilts market with a studied air of serene detachment, attributing much of it to the over-excited arithmetic about the demise of the Government's borrowing programme by some analysts in the market.

It sees a role for the 23 market makers in devising derivative products with gilts; of broadening the services the market makers offer clients by using gilts in other international bond market plays, such as switching between US Treasury bonds, or West German bunds, or French OATs.

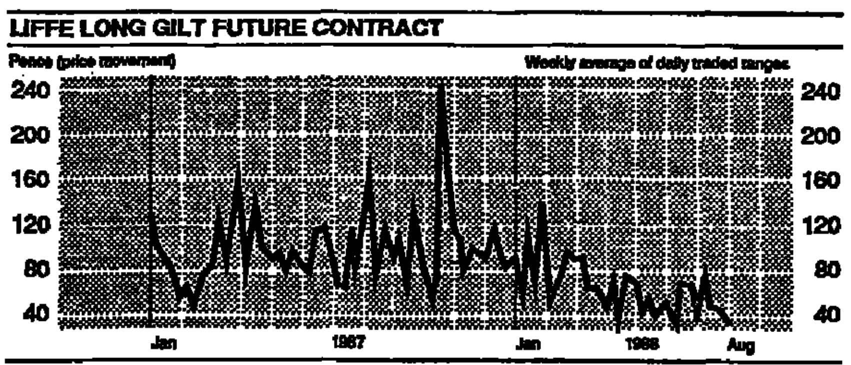
If, from the Bank's point of view, there is a benefit from their temporary withdrawal from the market as the seller of Government debt it is the growth in corporate issues of sterling bonds. There are clear signs that the withdrawal of the Government from the debt market has made way for companies and this is an area where the Bank expects the gilts traders to be active.

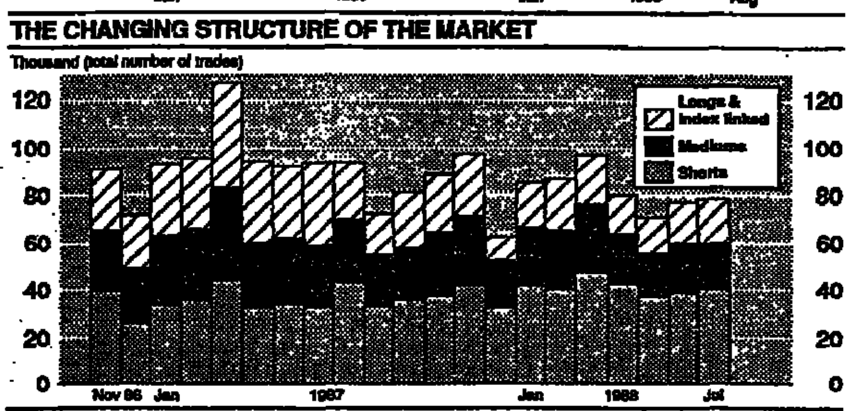
In the first half of this year gross issues of domestic corporate bonds and sterling Eurobonds amounted to £7.2bn, while floating rate issues amounted to £3bn. This level of issuance is almost as much as was sold in 1987, itself a year when gross issues of private sterling debt issued doubled on a year earlier.

Although the volume of these issues is huge and growing, at an individual level they tend to be small and the maturities short. And there in lies the problem for gilts traders who are used to dealing in considerable sums on a continuous basis.

Clearly the market has a challenge to pick up. Perhaps some of the answers lie in making existing operations more flexible, and in replacing gilts salesmen with bond salesmen. It may be helped if the Bank of England decides to re-structure the national debt, as the changing profile of the Government's finances now makes possible. But if that gets off the ground it is likely to be long-term.

The City is often very critical of UK industry for its failure to manage, to keep its prices under control, and to compete in international markets. Perhaps it is now time for one of the City's great institutions to turn its critical gaze inward.





British Technology Group

A time to improve it, not privatise it

By David Sawers

THE Government is considering whether to privatise the British Technology Group, which represents one of the first attempts to correct the supposed British failure to exploit inventions effectively. Its operating subsidiary, the National Research Development Corporation, was founded in 1949 to exploit the work of inventors, whether they were inside universities or worked on their own, where industry was failing to do so. Until 1985, it also had a monopoly over the exploitation of government-financed research in universities, which supplied some of its most profitable inventions. If the government were to privatise the BTG, it would imply that it believed that the private sector can now exploit all worthwhile inventions from independent inventors, inside or outside universities.

But the capital market has not become quite perfect; and if a market is imperfect, there will remain scope for government action to reduce its imperfections. The supply of institutions willing to finance such projects has increased in the last few years, and the recent reductions in personal taxation (and increases in personal wealth) should increase the number of individuals who can afford to take a risk. But the wealthy British man is not usually a technical expert; and the finance for innovation probably remains more difficult to raise in Britain than in the US.

Most venture capital funds are looking for projects which involve limited technical risk, and can be evaluated primarily on commercial criteria; and they have recently found management buy-outs more profitable than high-technology projects. A few funds will supply seed-corn capital, but the high risks and small sums involved make profits difficult to earn from such lending, and the amount available from commercial funds therefore remains small. Fund managers accept that a gap exists in the supply of funds; one effort to fill it is the Enterprise Cheque scheme of Investors in Industry, which offers around £25,000 to finance development in return for a share in the project.

Universities organised themselves better to exploit inventions made by their staff since the BTG lost its monopoly in 1985, but they still need external finance to develop the larger projects. Even where a university has established its own venture capital fund in partnership with a group like Investors in Industry, as Edinburgh University has done, it may still rely on the BTG for the finance needed for initial development. Government bodies like the Scottish and Welsh Development Agencies are other sources of this high-risk capital, although it is not a major part of their activities.

Government intervention could most usefully be directed to increasing the number of

Its reputation for sluggishness has been reduced

institutions willing and competent to invest £25,000 to £50,000 in small and risky projects. A directorate of the European Commission has prepared a plan for subsidising the running costs of funds which provide seed-corn capital, but it remains to be seen whether an offer of half these costs for five years will attract more investors to this business.

The British Government seems to recognise that the market for such finance remains imperfect, even with the BTG in the public sector. One of DTI's more imaginative schemes, the Smart programme, has just been launched to provide grants of up to £50,000 to help finance the exploitation of inventions from small firms or individuals, who may include university researchers, and who might otherwise have turned to the BTG for help. Typically, the DTI is excessively generous in its terms, giving money away where commercial funds would demand a share in any future profits.

Privatising the BTG, the one institution that supplies regular and significant quantities of seed-corn finance and advice to inventors, is not likely to improve the market. If private sector institutions find the supply of such finance unattractive, a privatised BTG might be expected to behave in a similar manner.

The BTG as it exists is not perfect, or the gap in the capital market would not remain. It has used the income from a few major inventions made in universities or government laboratories to finance its modest expenditure on developing such inventions and those from private inventors – £4.34m in 1986-87 – and a roughly equal amount on small development projects in industry. It has been able to claim it was profitable, although it was in fact spending money that would otherwise have gone into the Treasury and its expenditure was thus a cost to the exchequer.

The BTG has had a reputation for bureaucratic sluggishness and mediocrity that has been reduced in the last few years after it lost its monopoly and a new chief executive arrived. But its staff does have some expertise, and the institution should not be written off – or privatised – until the state can provide some better means of filling the gap in the capital market that it still helps to fill.

Instead of thinking about privatising the BTG, the Department of Trade and Industry should be thinking how to improve it. The first improvement would be to get more new blood into the staff, by encouraging government engineers and scientists to spend a few years working in the corporation; their talents are now under-employed. The second improvement would be to transfer the income from its portfolio to the Treasury, and to finance future operations directly from the DTI. Expenditure would then be what seemed worthwhile, not what the past had provided. The third improvement would be to concentrate the BTG's activities on filling the gap in the capital market represented by the supply of seed-corn finance for inventors, and to abandon its efforts to operate as a venture capital fund.

But the DTI should also be considering how it could improve the market in finance for invention: too little government effort has been put into eliminating this most obvious gap in the capital market.

The author is an economic consultant

LETTERS

A critical path in conventional defence

From Mr Grahame Leman.

Sir, You report (August 3) that Mr Frank Carlucci, the US Defense Secretary, has taken up with the Russians the old problem of discriminating between offensive and defensive conventional weapons.

This is a bad question, which cannot lead to a good answer.

First, a commander who is standing on a strategic defensive is obliged to be continually on the tactical offensive, because he cannot allow the enemy to draw troops away from any part of the theatre to concentrate a force with enough local superiority to ensure a successful attack.

Consequently a commander on the strategic defensive needs exactly the same kinds of weapons – and exactly the same kind of force structure – as he would need if he were on the strategic offensive.

Second, the best (perhaps the only) conventional defence against a deep conventional thrust is a deep conventional counter-thrust – to outflank the attacker, encircle him, cut him off from his supplies, and ultimately destroy him. Again, the commander needs exactly the same kind of conventional weapons and the same force structure for a counter-thrust as he would need for a first thrust of his own.

The real answer might perhaps be found in a less obvious and a less glamorous area: logistics. A mobile force cannot advance any great distance without massive logistic support in the form of forward dumps of fuel, ammunition, replacements, spares and other supplies, together with a supply train of trucks and helicopters to move all this stuff forward. The further you advance away from your forward dumps, the *more* trucks and helicopters you need (because of the increasing round-trip time and out-of-service time) to lift the same tonnage of necessary supplies. Thus logistic capability is the critical path factor in mobile operations.

The Second World War provides the classic instance: the Red Army defeated the German Army largely because Hitler had neglected the key *logistic factor*, while the Russians had made sure they got huge numbers of of trucks from the Americans.

What we in the west are really worried about is that the Red Army looks capable of a really deep thrust into Western Europe; and the Russians, of course, have to plan for the reverse contingency.

If we could agree to restrict the key *logistical* capability of our conventional forces (subject to foolproof verification procedures), we would both know that only limited short-run penetration was on the cards. Such limited penetration would not threaten decisive results, and would therefore not risk entraining the early use of nuclear weapons.

Moreover, since decisive results could not be expected, military staffs would appreciate that attack would not be worth the trouble – and would so advise their political masters.

Grahame Leman,
11 Shakespeare Road, W3

Such a useful institution deserves proper funding

From Professor Alasdair MacBean and others.

Sir, It is our earnest hope that your report (Observer, July 28) of the approaching demise of the Trade Policy Research Centre (TPRC) is premature. Few research institutions in the world look at international issues from such a genuine international perspective.

As university teachers and researchers in international economics, we have benefited from a steady stream of policy studies in the Thames Essays series of the TPRC and in its quarterly journal, The World Economy. They have provided our students – both graduate and undergraduate – with a ready source of new ideas and new data on key issues of current trade policy for developed and developing countries.

Conferences organised by the TPRC in the run up to the Tokyo round of the GATT provided an invaluable forum for officials and academics to share ideas and test arguments about policy against theories about trade and protection. It is ironic that, in a world cursed by macro-economic imbalances, and threatened with increased protectionism, society could be deprived of this defender of the virtues of relatively free and non-discriminatory trade. The timing could scarcely be worse as we move through the two important trade policy events of 1992 in the European Community and the Uruguay round of multilateral trade negotiations.

It is tragic that such a useful institution should fall victim to the unwillingness of research funding organisations to pay adequately for the essential overheads of office and staff which an organisation of this kind requires. Comparable organisations in the United States are much better funded. For this reason the TPRC has sought support from firms – mainly in the UK, but also in other industrial countries. Unfortunately such support has never been forthcoming on the scale required.

We hope that new funds can be found to keep this splendid organisation afloat for many more years.

Alasdair MacBean,
V. Balasubramanyam.
University of Lancaster,
John Black,
University of Exeter,
John Dunning,
University of Reading,
Dermot McAleese,
Trinity College, Dublin,
Alasdair Smith,
University of Sussex

Aid projects can help the UK balance of trade

From Mr D.G.M. Roberts.

Sir, Your report (August 2) on the power station being built in India by Northern Engineering Industries (NEI) confirms the value to the UK of our bilateral aid programme and its potential to assist our balance of trade.

Big projects overseas create exports of equipment and, thereby, jobs for our manufacturing industry. Very often these are in regions of the UK with high unemployment; this was the case with the 40,000 man-years of work created in the UK by the Cairo wastewater project.

Each job so created can represent a net gain to the Exchequer of some £7,000 a year – the difference between the taxes paid by someone in employment and what he/she would receive when out of work.

Many such projects are co-financed by an Overseas Development Agency grant supplemented by an Export Credits Guarantee Department-backed loan. If the loan equals the grant, the net cost to the nation is nil – the savings to the Exchequer, referred to above, will equal the grant. If the loan is three or four times the grant, there will be a net inflow of funds to the Exchequer.

In addition to conventional, contractor-led projects, I believe there is scope for the service sectors of finance and engineering consultancy to promote consultant-led construction projects overseas. These, if built and equipped with British equipment, could generate exports of manufactured goods, as well as increasing still further the contribution of over £1bn a year which the construction industry makes to our invisible exports.

Our aid and trade provisions already provide for such procedures. But I believe there is a need for Government, financiers, and the construction industry to review the workings of the scheme.

There should also be a willingness to increase our aid programme for those international construction projects which have an adequate gearing ratio, and which can therefore (at no cost to the Exchequer) generate jobs and increase our exports of hardware and services.

Not only would the UK benefit, but so would many deprived persons in third world countries.

D.Gwilym M. Roberts,
Acer Group,
25 Victoria Street, SW1

FINANCIAL TIMES
Wednesday August 10 1988

Troops fire on crowds in Rangoon

By Richard Gourlay in Rangoon

THE Burmese Government struggled to regain control of the streets of Rangoon yesterday as troops, under orders to shoot to kill, fired into crowds of thousands of demonstrators calling for the overthrow of President Sein Lwin.

Officially the Government admitted that 36 protesters, including students, workers and buddist monks, had died. But diplomats last night suggested the death toll could reach more than 100. The state-run Radio Rangoon said security forces had dispersed anti-government demonstrators who burned vehicles and destroyed traffic lights in the Burmese capital and had arrested nearly 1,500.

Unofficial estimates of the dead continued to rise last night, with reports of similar demonstrations in 15 other towns, in what appeared to be an unco-ordinated, unarmed and leaderless revolt.

The latest riots are the culmination of months of sporadic protests against years of rigid military rule. Demonstrators have been particularly incensed by the appointment of the unpopular President Sein Lwin two weeks ago. President Sein Lwin replaced U Ne Win who had ruled Burma for 26 years and presided over its economic collapse.

President Sein Lwin was widely seen as responsible for brutal supression of anti-government demonstrations in March and June, and his rise to power was deeply resented coming on top of a 400 per cent rise in rice prices.

A Burmese demonstrator kisses the feet of a soldier imposing martial law during street protests in Rangoon yesterday.

Demonstrators gathered throughout the Burmese capital yesterday and attracted thousands of supporters for their other demands for cheaper rice and the release of students held since the earlier riots.

Criss-crossing the city under Burmese and Buddhist flags and the emblem of dissent, the peacock, they were chased by troops in trucks, confronted and, according to numerous unconfirmed reports, fired upon.

Eye-witnesses saw armoured cars driving up to groups of demonstrators and opening fire indiscriminately, challenging official claims that they were using only moderate force. Some witnesses reported seeing demonstrators carrying bodies of dead protesters over their heads as they marched through the streets.

Yesterday's crowds were smaller than the 100,000s who swept behind the hard core of demonstrators on Monday, within feet of the nervous soldiers who were called onto the streets on the declaration of martial law last week.

Their takeover of a square bordered by the fading splendour of the British colonial city hall and the golden Sule Pagoda, came to an abrupt halt when, after seven hours, troops carried out their threat to open fire, ending the occupation of the park.

In the streets younger demonstrators have led the protests while monks, faced with a battle-hardened army commander threatening to use force disperse the crowd, overturned their alms bowls – the ultimate Buddhist symbol of rejection.

The students have been demanding a return to democracy and telling the soldiers that they "belong to the people." Some reports suggested that the students' efforts to drive a wedge between soldiers and their commanders, or at least between different divisions within the armed forces might be working.

Worldwide aid for Sudanese flood victims

By Michael Holman and Joel Kibazo in London

AID AGENCIES around the world began co-ordinating efforts yesterday to provide assistance to Sudan, where floods have left 1.5m people homeless and paralysed the capital Khartoum.

Telex and telephone lines to the city remain cut, but reports reaching Nairobi and Cairo by radio said that food supplies were running out.

Details of the devastation began emerging yesterday as the first supplies began to arrive for what may prove to be the largest African relief operation since the Ethiopian famine in 1984-85.

Many of the mud-built homes in the capital, which has 4m residents, have been washed away. Electricity and other services are not operating. Health authorities warned of the danger of epidemics of cholera and typhoid. Scores of people have been killed or injured, some electrocuted when power cables fell into the flood water.

The Government warned of further flooding to come as waters continue to rise on the Nile north of Khartoum. The floods started after a 13 hour storm overnight on Thursday.

In addition to the capital the eastern cities of Kassala and Showak, and the northern city of el-Damer have been declared disaster areas.

The Prime Minister, Mr Sadiq el Mahdi, has declared a six month state of emergency following the latest blow to a country already crippled by the impact of its second drought in four years, a civil war in the south and severe economic difficulties which have left the Government unable to service an $12bn external debt.

Over 500,000 refugees from the war in the south living in shanty towns around Khartoum are among the worst hit by the floods. Their plastic, cardboard and mud huts were swept away by the floods, which at their peak covered parts of the city with over three feet of water.

Yesterday the European Community approved emergency aid worth over $700,000 (£412,000) while supplies of tents, plastic sheeting, generators and medical supplies have already arrived from Egypt and Britain.

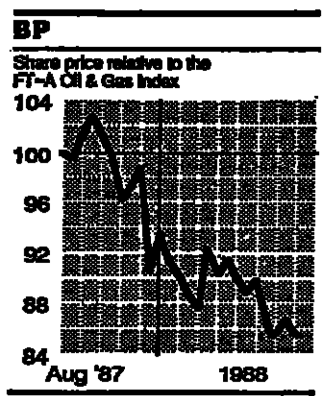
The Red Cross said last night it was sending out two aircraft with disaster relief material tomorrow and Friday.

Six British charities last night announced a £3m ($5.1m) emergency appeal to help the victims.

THE LEX COLUMN

A compromise all on one side

Whatever the intentions of the Kuwaiti Government in making yesterday's pre-emptive announcement, it must be pleased with the result. It has succeeded in convincing the market that its chosen compromise is all but sewn up, and in so doing has added 5p to the BP share price.



However, as the statement was plainly unilateral, the market's judgement seems a little hasty. If the Kuwaitis sensed their arguments were going down well with the MMC, it is hard to see why they should risk spoiling everything by issuing the verdict themselves nearly a month before time. On the other hand, if Kuwait had been receiving a bad hearing, there might be some sense in telling everybody about its willingness to compromise, thus making it more difficult for the MMC to issue a hostile verdict.

As far as the compromise itself goes, it is unlikely to be fully satisfactory to the Government, while to BP – which wants the stake cut to single figures – it must be downright unacceptable. In its favour, it would limit the scope for Kuwait to meddle in BP's affairs, and might also help BP to present itself to its peers as less of a Kuwaiti controlled oil company. However, the central proposal to disenfranchise all but 14.9 per cent of the KIO shares still does not answer the issue that the MMC was invited to address: whether a large holding is against the public interest. Furthermore, the legal undertaking that Kuwait will only protect its interests as an investor rather than as a sovereign oil producer seems sufficiently vague as to be of little practical use.

Even if the Kuwaiti proposal does not form the backbone to the MMC recommendation, the market need not fear unduly. It is in no-one's interests to undermine the share price with a large placing, and it would be surprising if BP did not have a couple of big buyers lined up, ready and willing to take up any spare shares on offer.

US discount rate

Maybe it is because central bankers are worried about getting involved in yet another insider trading scandal, or perhaps it reflects a more gentlemanly approach to selling government debt to unsophisticated investors. Whatever the reason, the Federal Reserve yesterday followed in the Bank of England's footsteps and raised its official interest rate on the eve of a Government bond auction, even though this meant that the US Government will have to pay more for its money. A second, and far more serious similarity between the US and UK interest rate policy, is that both countries have now shown that they are prepared to force interest rates higher for domestic reasons, even though this might have unfortunate implications for their respective exchange rates.

Given that sterling is no longer of much import on the international stage, this is a risk that the UK authorities can afford to take, but the US move is more controversial. Admittedly, the fact that the Fed has pushed up interest rates only months before a Presidential election has enhanced the credibility of its anti-inflation fight. However, the move may well aggravate international financial tensions, and risks precipitating another round of competitive interest rate increases in other countries, with an unpredictable impact on world economic growth.

The obvious fear is that there is a certain similarity to last summer, when a rise in the Fed's discount rate precipitated an upward spiral in interest rates worldwide. However, equity markets are much more sensibly valued this time, and it must be presumed that despite the surprising resilience of the world's economies in the aftermath of last October's crash, the world's central bankers retain a healthy respect for what the stock market is telling them.

Takeover Panel

Yesterday's alarm call from the UK Takeover Panel over the proposed EC directive on takeovers is a further reminder of how much haggling has to take place on the way to a unified European market. The directive is distinct from that on merger policy due shortly from the offices of Commissioner Sutherland, but is similar in apparently seeking to impose formal rigidity on a typically loose and empirical British structure. Such differences have been resolved before – for instance, in hammering out directives on accountancy; but after a year spent re-establishing its domestic position, the Panel is naturally reluctant to give ground to Brussels now.

On the merger front, skirmishing continues with the Irish Distillers affair. The Commission's right to intervene here is based not on merger policy proper, but on the allegedly anti-competitive structure of the bid. But in practice, the Commission has been able to act pre-emptively, in just the way which the forthcoming mergers directive seeks to establish. The issues of competition, merger policy and the conduct of takeovers are becoming increasingly hard to disentangle; if the Takeover Panel is to maintain its present non-statutory position, it will have to fight for it.

BBA

At a time when the European automotive industry is continuing to defy every prediction of an imminent slowdown, it is scarcely surprising to see BBA making very good money indeed from motor components. But it is perhaps even less surprising that the main event of the first half of BBA's financial year was an acquisition which reduced the relative importance of auto parts sales by adding turnover from carpet underlay and fire hoses.

Much must still be taken on trust in the Guthrie acquisition, which seems to have done little for yesterday's first half figures except marginally to retard the increase in group operating margins. But the decision to use Guthrie to reduce BBA's dependence on the motor car should easily be proven sound: however moveable the forecasts of a cyclical decline in European new car sales, the industry must peak sooner or later, and BBA is right to hedge its bets. And with Guthrie's operating margins 1½ points lower than the group average, it should not take much more than a firmer hand to bring the benefits of the purchase through to the bottom line. Part of Guthrie must still be sold off to reduce BBA's 100 per cent gearing; but given the profitability of most of the group, it is not difficult to see why BBA claims it is more a reluctant than a forced seller.

Iraq may sign $900m deal for VW cars

By Ivo Dawnay in Rio de Janeiro

AUTOLATINA, the holding company for Ford and Volkswagen's Brazilian operations, is negotiating a $900m contract to supply Iraq with 100,000 VW-marque cars and spare parts for its existing fleet of 160,000 Passats.

Mr Wolfgang Sauer, the Autolatina president, told journalists that talks which started in Baghdad last month could close the deal by the end of this year.

"Our expectations for sales have increased from $700m to $900m and could reach $1bn," he said.

Mr Sauer said that a protocol signed recently between the Brazilian Government and Iraq for sales of a range of goods, including trucks and tractors valued at $1.25bn, could be increased to $2bn if the new contract was successfully concluded. He added that a major obstacle – a dispute with Iraq over outstanding debts to the Brazilian contractor Mendes Junior – had been overcome, with an agreement not to link the two issues.

Officials at the Brazilian Ministry for Overseas Affairs and the Iraqi Embassy in Brazil have refused to comment on Mr Sauer's announcement.

Under the proposed agreement, Autolatina would supply Iraq with cars across its VW range from the inexpensive Golf, the mid-range Fox and Passat to the luxury-range Santana. Up to 40 per cent of the contract's total value would cover spare parts.

VW's links with Iraq date back to 1975 but blossomed in 1983 with a $240m contract to supply 50,000 Passat models. It was further enhanced in 1985 with an order to ship an additional 100,000 units in an oil-for-cars agreement that provoked criticism of the Brazilian Government's counter-trade agency when the oil price fell.

The Brazilian Government's latest protocol with Iraq, which is expected to involve sales of Saab-Scania trucks and Massey Perkins tractors, alongside other products, has yet to begin fully operating, due to foreign exchange difficulties in Baghdad, resulting from the costly Gulf war.

For Autolatina, a successful conclusion to the talks will have long-term ramifications for its product planning. The outdated Passat model has fallen from popularity in Brazil with sales crashing by 80 per cent last year to just 9,600 units or 1 per cent of the entire domestic market.

If the contract is won, production will have to continue, thereby limiting capacity for developing other potentially better-selling lines.

Setback for UK investor protection body

By Clive Wolman in London

THE Securities and Investments Board, Britain's chief investor protection agency, has had to back down from nearly all its demands of European and Japanese banking supervisors to resolve a mounting dispute over the activities of UK branches of foreign banks.

An agreement with the German banking supervisors announced last Friday and agreements expected over the next few weeks with the Japanese, Swiss, Austrian, Dutch, French and other European authorities will barely change the status quo.

At present, these supervisors generally do little more than reassure the Bank of England at regular intervals that the banks under their control with UK branches are financially sound.

If the Bank has questions about a particular foreign bank it will normally be given more information on an informal basis, although the Swiss and German supervisors in particular are constrained by tight domestic banking secrecy laws.

However, the SIB, which has taken over responsibility for regulating the UK investment activities of these banks, proposed a radically different system in a letter sent to foreign supervisors in January. The SIB said that it would require the supervisors to supply regular detailed information on the banks covering a mass of accounting and balance sheet figures and ratios.

Otherwise, it said, the foreign banks would have to restructure their UK branches into separate subsidiaries with their own capital monitored by the SIB or a self-regulating organisation.

The letter was regarded as an outrage by several foreign regulators, in particular the Germans and Dutch. They saw it as a threat from a new and unfamiliar supervisory body to the well-oiled, discreet arrangements between themselves for exchanging information. Most European Community supervisors also saw it as an attempt by the British to impose their own regulatory principles in advance of an EC directive.

Three months after despatching the letter, the SIB had received a reply from only about 15 per cent of the supervisors. The 250 foreign banks with UK investment branch operations objected strongly to converting them into subsidiaries, partly on cost grounds.

The last-minute cancellation of a meeting with the Foreign Bankers Association by Mr Andrew Thrall, director of the SIB's regulation division, was regarded (wrongly) as a calculated snub by the foreign banks and their threats to shut down their London investment operations multiplied.

Between April and last month, Mr Thrall and a colleague embarked on an intensive programme of visits to the foreign supervisors.

As a result of their discussions and prodding from the Bank of England and The Securities Association, the largest self-regulatory organisation (SRO), they retreated.

Some US, Canadian and a few other supervisors have agreed to exchange more information with the SIB. But most supervisors will continue as before to give general reassurances to the Bank which will be passed onto the SIB.

Discount rate lifted to dampen inflation fears

Continued from Page 1

Mr Paul Volcker, even in an election year.

In a predictable response to news of the rise in the discount rate, US stocks and bonds fell sharply and the dollar rallied on foreign exchanges.

However, the selling on US securities markets was not dramatic. Expectations of higher interest rates over coming weeks had already been underscored and built into market perceptions by last Friday's employment report.

On the New York Stock Exchange, the Dow Jones Industrial Average plunged by 30 points in reaction to the discount rate rise but then stabilised to stand 27.38 points lower at 2,080.01.

The rise in bond yields in response to the Fed's interest rate moves was expected to ensure good demand at yesterday's $11bn auction of three-year notes, the first leg of the Treasury's quarterly refunding.

In New York currency trading at midsession, the dollar was quoted more than 2 pfennigs higher at DM1.9175 and more than Y1 higher at Y134.75.

Immediately after the discount rate rise, Salomon Brothers, the major US securities house, announced a dramatic reversal of its 1988 forecast for the dollar. It had expected a 5 per cent to 6 per cent depreciation against European currencies by the end of this year, but now predicts a 5 per cent to 10 per cent rise.

Simon Holberton in London writes: European central banks do not expect the rise in the US discount rate to create instability in currency markets.

Before the public announcement of the rise in the discount rate the Fed informed its G-7 partners of its decision.

The Bundesbank, the West German central bank, is not expected to change its interest rate policy in response to the Fed's move.

UK spurns Kuwait pledge not to raise BP stake

Continued from Page 1

cally set aside immunity in this case.

The purpose of the deed appears to be partly to convince the Monopolies Commission of the good faith of the repeated Kuwaiti assurances that it regards the BP stake as a good investment rather than as part of its long term strategy in the petroleum industry. The Kuwaitis may also hope that the undertakings might convince the commission that their stake does not put them in a position to exercise undue influence over BP or that this would be against the publioc interest.

Unless the commission finds against the Kuwaiti Government on these points, it will be all but impossible for the British Government to require the KIO to sell part of its holding, as some government ministers would like to do.

The KIO built up its stake after the the British Government's £7.2bn ($12.24bn) share offer in BP flopped last October.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	27	81	Dubrovnik	S	29	84	Malta	S	29	84	Rhodes	S	29	84
Algiers	S	31	88	Edinburgh	F	16	61	Manchester	S	16	61	Rio de J'o	F	31	87
Amsterdam	C	29	84	Faro	S	27	81	Manila	C	30	86	Rome	F	33	91
Athens	F	32	90	Florence	S	33	91	Melbourne	C	13	55	Salzburg	F	22	72
Bahrain	F	41	106	Frankfurt	F	31	88	Mexico City	C	25	77	San Francisco	F	19	66
Bangkok	F	33	91	Funchal	S	23	73	Miami	C	31	87	Seoul	C	34	93
Barcelona	S	29	84	Geneva	F	31	88	Milan	S	30	86	Singapore	R	32	90
Beirut	C	34	93	Gibraltar	S	26	79	Montreal	C	29	84	Stockholm	F	22	71
Belfast	C	15	59	Glasgow	F	16	61	Moscow	C	20	68	Strasbourg	S	29	84
Belgrade	F	32	90	Guernsey	S	18	64	Munich	F	25	77	Sydney	F	15	59
Berlin	F	28	82	Helsinki	C	17	63	Nairobi	C	21	70	Taipei	F	35	95
Biarritz	C	23	73	H. Kong	C	31	88	Naples	S	30	86	Tangier	S	30	86
Bombay	F	30	86	Innsbruck	S	24	75	Nassau	C	33	91	Tel Aviv	F	31	88
Bordeaux	S	25	77	Inverness	C	17	63	New Delhi	C	28	82	Tenerife	S	27	81
Brussels	F	30	86	Islamabad	C	34	93	New York	C	31	88	Tokyo	S	31	88
Budapest	F	32	90	Istanbul	F	30	86	Nice	S	28	82	Toronto	F	25	77
B. Aires	C	12	52	Jakarta	C	33	91	Nicosia	S	38	100	Tunis	F	32	90
Cairo	C	35	95	Jersey	F	19	66	Oporto	S	22	72	Valencia	S	32	90
Cape Town	S	16	61	Jo'burg	F	18	64	Oslo	F	24	75	Venice	S	29	84
Caracas	C	26	79	Lima	R	15	59	Paris	F	30	86	Vienna	S	27	81
Casablanca	C	26	79	Lisbon	F	27	81	Peking	C	29	84	Warsaw	F	24	75
Chicago	C	24	75	London	F	25	77	Prague	S	24	75	Washington	S	24	75
Cologne	F	25	77	Los Angeles	C	26	79	Reykjavik	C	13	55	Zurich	S	26	79
Copenhagen	S	23	73	Luxembourg	F	26	79								
Corfu	S	32	90	Madrid	S	33	91								
Dallas	F	28	82	Majorca	S	30	86								
Dublin	C	16	61	Malaga	S	29	84								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Discount rate rise brings sign of relief on Wall St

Continued from Page 1

poration in Philadelphia, said: "The discount rate has not been used as a policy lever for a long time but it is highly visible. The important indicators are the Fed Funds rate and the monetary aggregates."

The Fed's operations yesterday did in fact suggest that the central bank meant to follow up the rise in the discount rate and push short-term interest rates higher.

The US bond market had fallen only modestly in response to the official interest rate rise but then slumped again after the Fed announced overnight matched sales to drain liquidity from the money market.

Mr Joseph Liro, fixed income economist at Warburg Securities in New York, said: "The Fed signalled that it was following up on the discount rate rise. It had to. Something in this economy has to give. Those employment figures last Friday gave the Fed a slap in the face."

So Mr Greenspan has finally responded to market pressures and to clear signals from the economy. He has also taken a few risks.

The short-term political fall-out must be bad for the Republicans, who gather for their convention in New Orleans next week to nominate Mr Bush as their Presidential candidate.

Mr Phillips believes that the interest rate rise is a bitter blow to Mr James Baker, outgoing US Treasury Secretary, who is taking over as Mr Bush's campaign chairman.

In 1984, Mr Baker was clearly touchy about Fed interest rate policy when the Republicans under President Ronald Reagan were far more assured of an election victory.

Perhaps the most important implication of yesterday's move, however, is an international one. One European diplomat noted that higher interest rates and therefore a higher dollar signalled a return to the "bad old days", a reverse of Mr Baker's managed depreciation of the dollar as a means of reducing the US trade deficit.

Mr Philip Braverman, chief economist at Irving Securities, said that a series of statements by senior Administration officials recently had suggested that the Fed was being urged to do what it had to for the domestic economy, despite the consequences in foreign exchange markets.

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

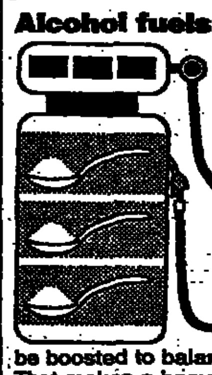
Control steps into British shoes

Control Securities, ambitious UK property trading and leisure group, has bought a 24.6 per cent stake in Stylo, large UK shoe retailer, from British Land, property group. Nazmu Virani, chairman of Control Securities, described the stake as an investment in an undervalued company. The deal is the latest twist in a three-year battle for control of Stylo, which is protected from predators by an unusual shareholder voting structure. Page 21

Canadian miners refuse to make the McDermott gold rush

The Holt McDermott gold mine opened amid an explosion of fireworks and the launch of hundreds of balloons. But the potential of the mine, which will be the country's largest producer and cost C$78m (US$64m) to develop, has been blocked by a severe labour shortage. Ken Gooding looks at the employment problems facing Canadian mines. Page 20

Alcohol fuels energy row



Brazil's fuel alcohol programme is facing growing opposition. A barrel of alcohol is estimated to cost between $50 and $60 to produce — up to four times the cost of a barrel of oil. Yet by law the price of alcohol must be set at 31 per cent of the domestic oil price, which in turn must be boosted to balance the losses on alcohol. That makes a heavy burden for a country as poor as Brazil. Page 34

Taking the mystery out of the international swaps market

Since the swaps markets began in the US corporate debt markets in the early 1980s, it has often been regarded with a certain degree of suspicion. But a new survey casts light on the hitherto mysterious market — once considered rarified and risky but increasingly seen as routine and indispensable for exposure management. Page 22

Pleasurama vote uncertain

MECCA

Institutional shareholders in Pleasurama, the UK leisure group facing a £564m ($1bn) bid from Mecca Leisure, appear sharply divided over plans to buy the Hard Rock restaurant chain. Their vote at an extraordinary general meeting on Friday holds the key to Mecca's all-paper bid which is conditional on Pleasurama shareholders rejecting the Hard Rock deal. Page 21

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			PARIS (FFr)		
Rises			Rises		
Feldmuehle	292.2	+ 8	BAFP	335.7	+ 12.7
Falls			Perrier	915	+ 10
Nixdorf	450	- 9	Seb	352	+ 8
Viag	272	- 8	Locindus	1560	+ 55
Dresdner Bk	295	- 2.2	Falls		
Conti Gummi	283.3	- 7	[illegible]	433	- 11.9
Bayer Ver.	394.5	- 8.5	[illegible]	34.85	- 0.65

NEW YORK ($) at 12.30			TOKYO (Yen)		
Rises			Rises		
[illegible]	[illegible]	[illegible]	Canon	1320	+ 130
[illegible]	[illegible]	[illegible]	[illegible]	2090	+ 110
[illegible]	[illegible]	[illegible]	[illegible]	1400	+ 70
Falls			Falls		
Limited	[illegible]	[illegible]	[illegible]	550	- 40
Loral	[illegible]	[illegible]	[illegible]	1780	- 70
Texas Air	11	[illegible]	[illegible]	3170	- 130

LONDON (Pence)					
Rises			Assoc. News.	528	- 9
Beazer	425	+ 7	Barclays	410	- 5
Carbury Sch.	390	+ 9	Brent Walker	391	- 12
Evode	395	+ 7	Comm. Union	378	- 6
Evans Halshaw	334	+ 7	Enterprise	494	- 6
Laing Props.	551	+ 8	Heywood Wms.	290	- 24
Morland	668	+ 31	Babcock Johns.	190	- 8
Stylo	420	+ 30	Lloyds Bank	309	- 5
Wace Grp.	327	+ 7	PWS	143	- 11
Falls			Pilkington	217	- 6
Aberdeen	607	- 28	Reed Intl.	446	- 5

Please do disturb if the price is right

The race is on to buy GrandMet's Inter-Continental hotels chain, report David Churchill and Lisa Wood

The decision by Grand Metropolitan, the UK brewing and leisure group, to put its Inter-Continental hotels on the block for more than £1.5bn ($2.55bn) has sparked off what is likely to prove an expensive and highly competitive race to buy what may be the last great chain to come on to the market for years.

Worldwide demand for hotel accommodation is booming. Preliminary findings of a survey of more than 1,000 hotels, to be published later this year by hotel consultants Horwath and Horwath, suggest that hoteliers are looking for a 2.5 per cent increase in occupancies to reach a record 68.1 per cent level in 1988.

The reason, quite simply, is the strength of business travel which accounts for some 55 per cent of the international hotel market. Increased disposable income is leading to strong demand for international tourism, which is forecast by the World Tourist Organisation to grow at an annual rate of 4 per cent until the end of the century.

But a very real shortage of the sort of top-class properties represented by Inter-Continental's 100-strong international portfolio means that GrandMet should find no shortage of willing bidders even at a premium asking price.

Not surprisingly, hotel groups are reluctant to tip their hand. Only Britain's Ladbroke Group, which acquired the Hilton International chain outside the US almost a year ago for what now looks a snip at £645m, has definitely said it is not interested.

Among analysts in London, Britain's Trusthouse Forte remains a favourite, especially since THF-watchers believe that the company would like to pull off such a coup to take the City's mind off the vitriolic battle for control of the Savoy Hotel group.

"THF may also feel a little put out that other companies such as Ladbroke and Bass [the UK brewer which bought Holiday Inn International outside the US last autumn] have been forging ahead in the international arena over the past year," points out Mr Paul Slattery, hotels analyst with stockbroker Kleinwort Grieveson.

Another possible bidder could be Hilton Hotels Corporation of the US, which now sees the decision in the early 1960s to sell off its international hotels division as a mistake.

Hilton is now opening hotels outside the US under the Conrad International banner (in honour of its founder Conrad Hilton). The attraction of Inter-Continental is that only half a dozen of its hotels are in the US.

Among other possible candidates are Lufthansa, the West German airline, which owns the Inter-Continental hotels, which GrandMet manages, in West Germany.

Mr Donald Trump, the ubiquitous New Yorker who acquired the Plaza Hotel in Manhattan for $400m (£235m) earlier this year, is seen by some as a potential bidder. Apparently he is concerned at the way US hegemony in the international hotel market has been eroded by British companies.

British leisure operators' swift move to control so much of the world market has surprised US hoteliers. Apart from forays by Ladbroke and Bass forays last year, BAA (formerly British Airports Authority) in June of this year bought the Ramada brand name in 35 countries outside the US for $91m.

For GrandMet, meanwhile, the successful disposal of Inter-Continental would eliminate group borrowings which rose to 107 per cent after the $1.4bn purchase of Heublein, the US soft drinks business in March 1987. It is not, however, renowned for hoarding its cash.

Inevitably, Monday's announcement has fuelled speculation over possible bid targets for the group which now lists its core activities as drinks, foods, gambling and retailing.

GrandMet's ambition is to develop and expand brands which are capable of globalisation. The strategy has fuelled recent acquisitions – such as Heublein which owns Smirnoff vodka, the second-largest selling spirits brand in the world – as well as disposals. Recently, GrandMet sold its soft drinks activities in the US because it did not own the Pepsi brand and therefore could not direct its destiny.

Brands, however, are expensive, and GrandMet is determined not to overpay. Mr John Dunsmore of County NatWest WoodMac, the company's broker, says: "With Martell [the French cognac group], GrandMet pulled out of the bidding – banking a £37m stock trading profit – when earnings per share would have been dilutive on a two-year view. With Heublein, the deal has proved earnings appreciative within 15 months."

He added: "Those two transactions should, we believe, be taken as indicative of price parameters for acquisition. We believe this rules out prospects of a move, for instance, for RHM."

Among the names being touted yesterday as possible bid targets for GrandMet, were Cadbury Schweppes, the confectioner and soft drinks group. Although GrandMet is known to have been interested in confectionery – it eyed Rowntree last year – Cadbury is not likely to be a snip.

A preoccupation for Grand Met's acquisition team must be the opportunities presented by the abolition of trading barriers on the Continent in 1992. IDV, the wines and spirits side of Grand Met's activities – carefully nurtured by brand acquisitions and the purchase of distribution outlets – is among the best fleshed of the group's divisions. Nevertheless, there is still a need for critical mass on the Continent and potential acquisitions are being carefully monitored there.

Similarly there could be opportunities in brewing in both the UK and on the Continent – where Heineken, the Dutch brewer is a takeover target. GrandMet has yet to emulate the example of Whitbread in seeking to export its restaurant activities to the Continent and North America.

In foods, another possible area for expansion, GrandMet's operations at present consist of Express Foods, a UK dairy products group, and Alpo Pet Foods in the US.

Speculation over just which way GrandMet might jump is complicated by the fact that the group is a opportunistic animal. Given the right price, any of its activities could be for sale. After all, a couple of months ago it was describing hotels as a "core" business.

Top 20 hotels 1987	Rooms	Hotels
HOLIDAY (US)	352,883	1,832
SHERATON (US)	136,495	479
RAMADA (US)	123,915	742
MARRIOTT (US)	103,000	361
QUALITY INT. (US)	102,428	878
HILTON HOTELS (US)	97,000	272
DAYS INNS OF AMERICA (US)	84,832	590
ACCOR (France)	84,800	713
TRUSTHOUSE FORTE (UK)	84,371	809
PRIME MOTOR INNS (US)	74,006	586
BALKANTOURIST (Bulgaria)	56,250	386
CLUB MEDITERRANEE (France)	55,152	213
BASS HOTELS (Belgium)	52,436	298
MOTEL 6 (US)	48,750	431
HYATT HOTELS (US)	48,427	89
SOL HOTELS (Spain)	45,000	139
LADBROKE GROUP (UK)	44,127	145
GRAND METROPOLITAN (UK)	38,725	157
RADISSON HOTEL GROUP (US)	37,500	158
WESTIN HOTELS (US)	34,291	62

Source: Hotels & Restaurants International

Perm and Nedbank merge in South Africa

By Anthony Robinson in Johannesburg

NEDBANK, South Africa's third biggest banking group, and the Permanent Building Society, the country's second largest mutual savings bank, are to merge and create a powerful new financial services group with assets of R23bn ($5.4bn).

Nedbank said last night that the merger resulted from recent changes in South Africa's banking and building society laws designed to rationalise financial services and increase competition.

The Perm, which chose to remain a mutual when other building societies took the opportunity to turn themselves into public companies, has been precluded from providing the diversified financial services offered by rivals and has suffered as a result.

According to Nedbank, the merger will allow the Perm to continue to focus on home loans while offering Nedbank's diversified financial services.

Efficiencies

The banking division of the new company, meanwhile, will benefit from the Perm's branch and agency network and will automatically acquire the largest mortgage portfolio of any of the commercial banks.

The bank said that the proposed merger will increase the net asset value of Nedbank group shares and lead to improved earnings "as a result of greater efficiencies and the ability to offer a more comprehensive range of services to the combined client base."

The proposed merger is the first major restructuring to take place in South Africa since the new financial legislation came into operation.

Analysts expect further rationalisation in an overbanked environment which has resulted in poor profitability and heavy competition both for customers and qualified staff.

Nedbank will pay shareholders of the Perm R180m, representing 11.5 per cent of the value of their existing Perm shareholdings. This will be financed through a rights issue of 30m Nedbank shares at R6 a share.

Perkins joins rush for Dutch produce groups

By Philip Coggan in London and Laura Raun in Amsterdam

Perkins Foods, the UK group being reshaped under new management, yesterday became the latest in a series of British food companies to expand in the Netherlands with the acquisition of the Hagé Group for a maximum consideration of Fl 140m ($65.6m).

Hagé is one of the Netherlands' largest importers and distributors of fresh fruit and vegetables, buying produce from suppliers in the Mediterranean and selling it to Dutch supermarket chains. Last year, it made pre-tax profits of £4.9m ($8m) on turnover of £52.6m.

"They sell produce in the off-season, so they don't have to compete with home-based producers," said Mr Howard Phillips, Perkins' chief executive yesterday. "As a result, they are able to achieve good net margins."

Acquisitive British food companies like Hillsdown Holdings, Hazlewood Foods and Albert Fisher have been attracted to Dutch fresh produce groups for a number of reasons.

The Netherlands has a well developed horticultural industry distinguished by high technology and increasingly sophisticated products. The Westland near Rotterdam is the world's largest complex of glasshouses, where acres of fruit and vegetables are cultivated all year-round.

Fresh produce ranging from strawberries to mushrooms are carefully nurtured in these computerised and gas-heated glasshouses, stored in climate-controlled warehouses and distributed through efficient channels. Nurserymen market their goods through highly automated Dutch auction houses, which then can ship anywhere via Rotterdam, the world's largest port, and the Rhine, Europe's busiest waterway.

The Netherlands is touting itself as a convenient entrepôt to the European hinterland, especially in the run-up to the single market of 1992. One British company in particular, Hazlewood, the Derby-based group, has been especially keen to use the Netherlands as a base for expansion into Europe. It has acquired Dutch companies which are primarily exporters to other EC countries.

Cultural factors have also encouraged acquisitive British companies; the Netherlands is just a short distance from the UK and English is widely spoken by the Dutch.

Finally, the Dutch horticultural industry is still fairly fragmented. Companies tend to be small - and thus more easily bought by fast-growing ambitious UK groups.

In the case of Perkins and Hagé, however, the Dutch company is much larger than its British acquirer. As a result, Perkins is making a five-for-two rights issue from Perkins which will raise over £32m. The rights shares are being offered at 75p each; Perkins' shares are currently suspended at 90p.

Perkins changed its name from John Perkins Meats earlier this year as part of a reorganisation led by Mr Michael Davies, the former chairman of Imperial Foods, and Mr Howard Phillips, the former chief executive of Golden Wonder. The acquisition of Hagé will mean that around three-quarters of the group's profits will come from fruit and vegetable marketing.

At the same time as the Hagé deal, IIH, a Luxembourg-based subsidiary of Italian group ISFINA, will subscribe for 6.66m shares, raising £5m for Perkins and giving IIH a 10 per cent stake in the UK company.

Italtel, Telettra licensing deal was agreed under Bellisario

By John Wyles in Rome

MARISA Bellisario, the late managing director of Italtel, the Italian telecommunications company, signed a manufacturing agreement with Telettra, the Fiat subsidiary, days before she died.

Details of the deal, signed on July 28 just one week before Ms Bellisario died, emerged yesterday as an ironic footnote to a clamorous political and industrial row over the proposed merger between Telettra and Italtel.

The merger, which was aborted last year, foundered partly on Fiat's refusal to accept Ms Bellisario's nomination as managing director of the merged company, Telit.

The deal gives Telettra the right to manufacture under licence Italtel's successful UT public switching system. It also represents a potentially important development of the Fiat subsidiary's activities in switching systems. These currently account for about 18 per cent of its product range which is dominated by transmission equipment.

Italtel and Telettra were concerned yesterday to play down the significance of the licensing agreement, squashing any suggestion that it might be be a prelude to a rebirth of the merger proposal.

Both companies explained yesterday they were "rebalancing" a commercial and manufacturing accord made in 1981 which established Italtel's primacy as Italy's major manufacturer of public switching systems.

GTE of the US joined this accord in 1982 through an Italian subsidiary, but exited in 1986 when its public switching business came under the control of West Germany's Siemens. An Italtel spokesman added that the demand for the UT system was great enough to justify a second manufacturer.

Nixdorf seeks to tighten costs

By Andrew Fisher in Frankfurt

NIXDORF Computer of West Germany raised its turnover by 11 per cent to DM2.3bn ($1.2bn) in the first half of this year. But Mr Klaus Luft, chairman, repeated that the profits situation was unsatisfactory and that costs needed to be brought under stricter control.

Nixdorf, one of Germany's fastest growing companies in recent years, still aimed to achieve a double-digit percentage expansion in turnover for the full year, said Mr Luft. While giving no details of profit performance, he added that the company intended to produce earnings that would ensure dividend continuity and allow "suitable reserves" to be set aside.

Last year, Nixdorf raised group net profits by 19 per cent to DM264m, on sales 13 per cent higher at DM5.1bn. The unchanged 10 per cent dividend cost DM112m, and DM147m went to group reserves.

For this year, analysts have predicted flat or slightly higher earnings. "I would be very surprised if they manage very much in the way of earnings growth," said Mr Simon Miller, an analyst with Barclays de Zoete Wedd in London.

Mr Luft declined to comment on the estimates. "We have got to work hard in the next few months," he said. "Competition is tougher and Nixdorf has to make more unit sales to achieve revenue growth."

Among small companies, accounting for nearly a third of customers, Nixdorf increased installations by 30 per cent in the first half, but the resulting D-mark revenues were up by only 10 per cent.

Nixdorf supplies computer systems and software to the retail, banking, insurance and industrial sectors, concentrating on solutions to customer needs rather than actual hardware.

Turnover in software was 23 per cent higher in the first half. Overall, group turnover rose by 9 per cent in Germany to DM1.3bn and by 13 per cent abroad to DM1.05bn, mainly in Europe, though growth was faster in the US and Asia.

Labour costs, however, grew by 18 per cent to nearly DM1bn, but Mr Luft said the increase for the full year would be around the rate of the advance in turnover. After hiring 3,900 new staff last year, the group has taken on a further 1,010 so far in 1988.

Mr Luft denied that a hiring freeze had been implemented to curb costs. "Things are not that cold." It would also be wrong to think of Nixdorf as "pausing for breathe," bearing in mind the turnover rise this year, he said.

But the sharp employment increase of 1987 would not be repeated and the rise in the second half of 1988 would be less than in the first half, he added.

Nixdorf has continued to increase spending on research and development this year, with a 16 per cent rise to DM237m in the first half.

INTERNATIONAL COMPANIES AND FINANCE

Second-quarter earnings plunge at The Limited

By Deborah Hargreaves in New York

THE LIMITED, the women's retail chain, based in Colombus, Ohio, yesterday reported a plunge in second-quarter earnings as the women's apparel market continued in the doldrums into which it sank at the beginning of the year.

The Limited, whose pioneering move into the specialist retail format for women's clothes made it one of the fastest growing US boutique chains in the first half of the 1980s, said its earnings dropped in the second quarter to $30.7m or 17 cents a share from $57.2m or 30 cents.

Sales, which had shown impressive growth rates of nearly 25 per cent a quarter, were up just under 9 per cent, to $893m from $822m in the same period last year.

First-half earnings tumbled to $54.6m or 30 cents a share from $102.6m or 54 cents, while sales edged up to $1.7bn from $1.63bn.

The company pinpointed consumer uncertainty and changing fashion trends for the drop in earnings. The women's apparel sector shows little signs of a pick-up and analysts say unusually high spending on women's clothes could be settling into a lower level of activity for the next few years.

"Prices are high and people have been spending more on durable goods," said Mr Monroe Greenstein, retail analyst at Bear Stearns.

The Limited has tried to move its merchandise into an older age range, making it more career-oriented, but it has been losing some of its teenage customers before attracting the working women it is targeting, analysts say.

In addition, "the company's new, larger stores are substantially under-performing historical start-up levels," said Ms Michelle Davis, analyst at Oppenheimer. She has lowered her earnings estimate for The Limited's full year to $1.20 per share from last year's $1.25.

The Limited's shares dropped $1 in early trading yesterday to $21.

Wal-Mart ahead of forecasts

By Roderick Oram in New York

WAL-MART, the third largest US retailer, outstripped its management's plans and Wall Street's forecasts to report another robust increase in sales and profits in the second quarter ended July 31.

Stronger-than-expected sales reflected favourable public response to Wal-Mart's efforts to provide "merchandise values at everyday low prices," Mr David Glass, president and chief executive, said. Volume was also boosted by the opening so far this year of 76 new stores to bring the total to 1,281.

Net profits for the quarter rose to $179.6m or 32 cents a share, on sales of $4.87bn, from $134.1m or 24 cents, on salesof $3.76bn a year earlier. First-half net was $333.2m or 59 cents, on sales of $9.18bn, against $244.5m or 43 cents, on $6.99bn sales a year earlier.

Operating in 25 south-eastern and central states, Wal-Mart notched up its gains against a background of generlly sluggish retail sales.

● Dillard Department Stores, which has been growing substantially in recent months, posted an increase in its second-quarter earnings to $14.8m or 46 cents a share from $12.4m or 39 cents. Sales rose to $552.9m from $475.3m.

First-half earnings increased to $30.8m or 95 cents a share from $26.9m or 84 cents, with sales boosted to $1.1bn from $891m.

Canadian Pacific profits soar by 51%

By David Owen in Toronto

A SHARP improvement in earnings from forest products, property and hotels and continued strength in the key transportation sector spurred Canadian Pacific, Canada's largest domestically-owned company, to an impressive 51 per cent year-on-year increase in second-quarter profits.

In the latest period, income rose to C$230.4m (US$190.4m) or 76 cents a share on revenues of C$3.25bn, compared with C$152.5m or 51 cents on revenues of C$3.13 bn in the 1987 second quarter.

For the six months ended June 30, earnings totalled C$414.3m or C$1.37 a share, against C$277.9m or 93 cents a year earlier. In the year ago first half, C$193.3m of extraordinary items pushed overall net income to C$471.2m. First-half revenues edged up from C$6.04bn to C$6.21bn.

The figures do much to vindicate the comprehensive restructuring of the group undertaken over three years.

During this period, the company has disposed of controlling interests in Cominco, CP Air (now Canadian Airlines International) and Maple Leaf Mills, slashing its debt load by C$2bn and swelling its cash reserves in the process.

Last month, the Montreal-based company announced the proposed sale of a 54 per cent interest in Algoma Steel Corporation to Dofasco for C$560m. The merger would create the fourth largest steel producer in North America.

This year, CP has itself been on the acquisition trail, buying the hotel chain of Canadian National Railways – its domestic rail competitor – for C$265m, and a 47 per cent voting stake in Laidlaw Transportation, the waste management and school bus concern, for C$499m.

The deal left Mr Michael de Groote, the Laidlaw chairman, as CP's second largest shareholder with 3 per cent.

In all, net income from CP's forest products unit nearly doubled in the first half to C$120.4m from C$65.8m.

The transportation unit contributed C$161.5m, or close to 40 per cent, of first-half earnings, against C$125.7m, or 45 per cent, a year ago.

Ontario gold mine's labour pains

Kenneth Gooding on the delay at an American Barrick project

A severe shortage of underground miners in Canada has delayed full development of the Holt McDermott gold mine near Kirkland Lake in Ontario, which will be one of the country's largest producers and has cost C$78m (US$64.5m).

It was formally opened yesterday by Mr David Peterson, Premier of Ontario, amid a fusilade of fireworks and the launch of hundreds of balloons.

According to Mr Alan Hill, senior vice-president for operations at American Barrick Resources Corporation, the owner, the mine should have reached its full annual output of 80,000 troy ounces of gold by now but the labour shortage has caused a delay of about six months.

American Barrick was still looking for 15 underground miners for the project, which currently employs 200 workers of various skills and should have 230 by Christmas.

Not only had it been impossible to recruit all the miners the company required but competition among Canadian companies for those available has pushed wage rates sky-high, said Mr Hill.

He blamed Canada's flow-through share financing system which has stimulated much of the country's current metal exploration movements.

This system, which is due to be phased out at the end of this year, enables the tax benefit or credit on exploration expenditure to be passed directly from the exploration company to the investor, who can write-off 100 per cent against personal tax.

Analysts reckon that Canadian mining companies have raised well over C$2bn in this way since 1983.

The Metals Economics Group, a research organisation based at Halifax, Nova Scotia, has identified no fewer than 156 gold mines at an advanced stage in Canada, of which 134 are underground schemes.

Between them the projects represent more than 45m oz of gold and an estimated additional 3m oz of annual production on top of the current 4m oz, according to Metals Economics. But most of them are relatively small and on average each has reserves of only 282,000 oz of gold.

In comparison the Holt McDermott mine has 610,000 oz, which gives it a seven-year life, and American Barrick, whose chairman is Mr Peter Munk, says there is considerable potential for increasing these reserves from the company's land holdings. American Barrick will spend C$1.3m on further exploration in the area this year.

Mr Hill admitted that his company benefited from flow-through finance until as recently as November 1986, but as one of the fastest growing North American gold mining groups it was now suffering from the problems created by the system.

"As new guys in the area we are finding it difficult to attract and hold good underground miners," he said.

American Barrick sets itself an extremely tough time schedule of only 18 months to bring Hold McDermott into production from the time construction started. The group has transformed itself in the past five years from an oil and gas producer into one of North America's major gold companies and one which next year will probably rank fifth. This has been achieved mainly by way of a vigorous programme of acquisition and mergers rather than grass roots exploration and development.

Peter Monk: looking for gold miners

So Holt McDermott provides a landmark in American Barrick development because it is the first property which the company has taken from the initial exploration stage, through development and into production.

The mine, in north-east Ontario, 30 miles from Kirkland Lake, is the first to be developed for 25 years in province, where gold mining started in the early 1900s and so far has produced 23m ounces.

The mine uses relatively new technology including a Carbon-in-Leach mill which is at present crushing 1,000 tonnes of ore a day and by the year-end will operate at its capacity of 1,500 tonnes a day. Mr Hill was confident that this rate could be maintained, although some analysts believe that it will be difficult.

The mill, which had a very smooth start-up, according to Mr Hill, is recovering 93 per cent of the gold available in the ore. This is a very respectable recovery rate and helps to keep the cash costs of gold production at the mine down to US$225 an oz compared with the current market price of around US$430 an oz.

All the gold will go to the Royal Canadian Mint for refining.

Holt McDermott is American Barrick's seventh gold mine and the fourth which is wholly owned. When the project was first given the go-ahead it represented the group's biggest new venture but today it is completely overshadowed by American Barrick's potential bonanza at the Goldstrike mine on the Carlin Trend in Nevada, which accounts for most of the group's 17.5m oz of gold reserves.

American Barrick produced 225,000 oz of gold in 1987, and this year, with the advent of the Hold McDermott mine, the total is expected to rise to 325,000 oz. From the early 1990s, however, the company expects to be producing at least 750,000 oz annually from Goldstrike alone and possibly 1m oz.

In contrast, American Barrick's original estimates of output from Hold McDermott, which was once expected to produce more than 100,000 oz of gold a year, have proved to be over optimistic.

Texas Air dives deeper into the red

By Our New York Staff

TEXAS AIR, the largest US airline holding company, plunged deeper into the red last quarter because of large losses at its Eastern and Continental airline subsidiaries.

Net loss for the second quarter was $255.9m or $6.67 a share, against a loss of $27m or 83 cents a year earlier.

The first-half loss was $380.1m or $10.95, against a net loss of $127.7m or $3.86.

Before accounting changes, Continental's second-quarter loss was $19.9m against a loss of $71.1m a year earlier. Eastern's second-quarter net loss was $89.8m, compared with net profit of $27.1m.

International Thomson improves profit in half

By David Owen in Toronto

INTERNATIONAL Thomson Organisation, the Toronto-based publishing, travel services and energy group, yesterday reported improved earnings for the first six months to June 30, due principally to strong advances in its information and publishing unit.

In all, the group's income attributable to common shares for the period totalled US$54m or 18.5 cents a share compared with $44m or 15 cents in 1987. Sales climbed by 16 per cent from a year earlier to $1.69 bn.

Commenting on last month's Piper-Alpha oil accident in the North Sea, Thomson said while the disaster was a major setback, the consequences for the group's financial performance should not be overestimated.

The explosion, which was the worst in the history of North Sea oil production, killed more than 160 people and prompted Thomson to declare *force majeure* on supplies of oil and gas from the Flotta terminal.

The company said that it believed Thomson North Sea to be fully insured against the loss of physical assets and other liabilities. It added that before the accident oil and gas was expected to provide some 14 per cent of overall 1988 operating profit and a declining proportion in future.

South Pac sale go-ahead

By Our New York Staff

RIO GRANDE Industries has won regulatory approval for its $1.52bn purchase of the Southern Pacific railway from Santa Fe Southern Pacific, ending a tortuous five-year saga.

Santa Fe Southern Pacific bought the railway in 1983 but after four years of hearings the Interstate Commerce Commission, which regulates inter-state railways, ordered Santa Fe to sell the railway. The ICC argued that the combined Santa Fe Southern Pacific operations would reduce competition.

The ICC approved the sale to Rio Grande, saying Southern Pacific had better prospects from that deal than under a competing offer from Kansas City Southern Industries, another rail holding company.

Rio Grande, a subsidiary of Anschutz, a Denver company, is paying $1.02bn cash plus the assumption of $800m of debt.

Kansas City's offer of $1.25bn in cash and notes has been clouded, however, by a $800m judgment against it for anti-trust violations.

Commodore in steep rise

By Roderick Oram in New York

COMMODORE International, the US personal computer maker recovering from heavy losses in the mid-1980s, has reported a sharp increase in profits for its fiscal year ended June 30.

Following a surge in sales to $871.1m from $806.7m a year earlier, net profits almost doubled to $55.8m or $1.75 a share from $28.6m or 89 cents.

The results included extraordinary gains of $7.6m and $6m respectively from tax loss carry-forwards.

Fourth-quarter net was $12.2m or 38 cents a share on sales of $215.2m compared with $2.1m or 6 cents on $190.4m a year earlier.

Mr Irving Gould, chairman, said increased profits in the quarter reflected sales growth in North America, Europe and Australia and growing market penetration and distribution for Commodore's Amiga and IBM-compatible personal computers.

He expressed, together with Wall Street analysts, optimism about further growth.

INTERNATIONAL COMPANIES AND FINANCE

Maiden results from Linotype show 21% rise in net profits

By Haig Simonian in Frankfurt

LINOTYPE, the West German printing technology company which was floated on the stock-market last year, increased its interim after-tax profits by almost 21 per cent to DM24.4m ($12.8m) in its first six months as an independent company.

Group sales climbed by almost 10 per cent to DM278m, and the company expects sales for the year as a whole to be in the DM570m-600m range, according to Mr Wolfgang Kummer, chief executive.

New orders at Linotype, which used to be owned by Allied-Signal of the US, rose 31 per cent to DM328m, with its foreign subsidiaries performing especially well. Its UK operation recorded double-figure percentage rises in both sales and new orders, it said.

The introduction of new, higher value, products played a large part in the increase in profits in what is a highly competitive industry, said Mr Kummer. Linotype's "image processors," which combine editorial and picture processing techniques with sophisticated laser-printing technology, have met with substantial demand.

The company plans to extend its range with a new laser image setter, which is to be exhibited shortly at the IPEX Graphics exhibition in the UK. Linotype claims the machine will set a new standard in combining price against quality. Production will start in the second half of this year.

Spending on research and marketing grew by 26 per cent and 30 per cent respectively. The group says it has not so far been affected by the shortage in 256K DRAM chips thanks to established contacts with leading Japanese suppliers.

FKI plans to list UK electrical product unit

By David Waller in London

FKI BABCOCK, the UK electrical and engineering group formed last summer when FKI Electricals bought the much larger Babcock International, is planning a separate stock-market listing for its UK electrical products division.

The division includes Babcock's electrical engineering and mining activities in the UK as well as many of the 25 companies bought by FKI since 1973; its products range from automotive components to control equipment.

Turnover for year to March 1989 is likely to be in the £300m to £350m ($510m-$595m) range, on which analysts expect pre-tax profits of £30m out of £100m for the FKI group as a whole. If floated on a price earnings multiple of between 12 and 13, it would secure a market capitalisation of about £250m.

News of the plan follows FKI's disclosure that it intends to seek a separate listing for its US businesses in New York. The flotation of the electrical products group is unlikely to take place until after the US listing early next year.

Mr Tony Gartland, FKI's chief executive, said: "Share option schemes provide the best possible incentives for management," he said, "but they don't work in a very large environment."

Accordingly, he believes share incentive schemes should be tied to performance at divisional level and that schemes based on shares in the group as a whole are "demotivating."

He said raising fresh capital was of secondary importance, and that the amount of new equity to be offered would be kept to a minimum. He is thus thinking about bringing the division to the Unlisted Securities Market, which requires only a 10 per cent float as opposed to 25 per cent on the main market.

FKI's shares have underperformed the stock market and been re-rated sharply downwards since the Babcock acquisition, despite the fact that the rationalisation of Babcock should lead to an improvement in profits and earnings per share in the current year.

Control Securities buys 24.6% stake in Stylo

By Vanessa Houlder in London

CONTROL SECURITIES, the ambitious UK property trading and leisure group, has bought a 24.6 per cent stake in Stylo, the UK shoe retailer, from British Land, the property group. The deal is the latest twist in a three-year battle for control of Stylo, which is protected from predators by an unusual shareholder voting structure.

Mr Nazmu Virani, chairman of Control Securities, described the stake as an investment in an undervalued company with substantial asset backing. Although he declined to confirm bid rumours, he said that he would be negotiating with Stylo. "I am sure if we sit down with Mr Ziff, some formula can be worked out," he said.

Mr Arnold Ziff, chairman of Stylo, said that, although the businesses were not for sale, he was bound to act in the best interest of shareholders. "Mr Virani would have to come up with a figure that I couldn't refuse. It would have to be full value for a chain of stores that is almost priceless," he said.

The Stylo share price yesterday moved up from 290p to 320p, capitalising the company at £61.5m ($104.5m). The book value of Stylo's land and buildings was calculated at £56.7m last January. The company, which has in recent years had a poor trading record, announced pre-tax profits of £428,000, down 72 per cent, for the year to January 30.

British Land said the proceeds of the sale would be used to enhance its existing resources and reduce the group's debt.

The sale of its stake in Stylo ends its three-year attempt to gain control of the company. This failed as a result of a two-tier share structure under which family-held shares have 16 times the voting rights of ordinary shares.

The payment for the Stylo stake was £16.2m. As part of the same deal, Control Securities has bought a portfolio of 17 freehold properties from British Land for £69.3m.

Mr Virani said most of the properties were suited to Control's trading portfolio; the balance would be retained with a view to generating an increased rental income. At present, the property portfolio generates a total net income of £4.8m a year.

As part of the deal, British Land will take a 11.8 per cent stake in Control, following the issue of 40m shares, worth £24m. In addition Control Securities will pay £61.5m in cash.

Ares-Serono boosted by strong growth in sales

By William Dullforce in Geneva

ARES-SERONO, the Swiss-based pharmaceuticals group, yesterday reported a 47 per cent climb in net income to $22.7m for the first half of 1988 compared with the corresponding period last year.

Sales rose by 35 per cent to $208m. Excluding favourable currency fluctuations, the real increase in turnover was 28.8 per cent, the company said. The results reflected strong sales growth in the US as well as in Europe, according to Mr John Castello, president.

Net income for the second quarter rose to $11.3m or $20.82 a share compared with $8.1m or $14.87 in the second quarter of 1987. Consolidated earnings per share for 1987 were $64.43.

Among key developments in the first half were the arrangement of a $150m multi-currency revolving credit, a $4.5m expansion in biotechnology manufacturing in the US and the acquisition of a London in-vitro fertilisation clinic.

The holding company, registered in Coinsins in the canton of Vaud, paid dividends of SFr20 ($12.60) per bearer share and SFr8 per registered share last year. It went public in June, 1987 and is listed on Swiss stock exchanges.

Ares-Serono is Italian by origin, and has its executive headquarters in Geneva and operating headquarters in Boston.

Institutions split over big Mecca bid

By David Waller in London

BRITISH institutional shareholders in Pleasurama – the UK group facing a £594m ($1bn) bid from rival leisure group Mecca Leisure – appear sharply divided over Pleasurama's plans to buy the Hard Rock restaurant chain.

Pleasurama is holding an extraordinary general meeting on Friday to approve the £63m acquisition and the £127m rights issue to finance it.

The vote at the EGM is of crucial significance as Mecca has made its all-paper bid conditional on Pleasurama's shareholders voting down the Hard Rock deal. The bid will automatically lapse if the relevant motion is approved on Friday – although Mecca can waive this self-imposed restriction if it so choses.

Scottish Amicable Life Assurance, Pleasurama's second largest shareholder with some 4.8 per cent of the ordinary shares, will support the Pleasurama board on Friday. So will Robert Fleming & Co, the third largest with a 4.5 per cent holding.

But BZW Investment Management, the fourth largest shareholder with 2.7 per cent, and at least one more of the top ten institutional shareholders, have come down emphatically against Pleasurama.

BZW's decision is likely to attract criticism from the Pleasurama camp as de Zoete and Bevan are brokers to Mecca. But Mr David Acland, chairman of the BZW fund management arm, said that interdepartmental chinese walls were strictly observed.

"We believe that we are acting in the best interest of our investment clients," he said. "Had there been no bid, we would have given management the benefit of the doubt. Mecca has changed things totally."

Mr James Crosby of Scottish Amicable was equally emphatic in the other direction. "It is only a few days since Mecca made the bid and it is far too early to show any lack of confidence in the Pleasurama management."

Some 72 per cent of Pleasurama's shares are owned by institutions. Private investors own 25 per cent, while management own the remaining 3 per cent.

Schering group earnings rise to DM134m

By Leslie Colitt in Berlin

SCHERING, the West Berlin-based pharmaceuticals and chemical company, yesterday reported group earnings rose 5 per cent for the first six months to DM134m ($70.6m) compared with the same period in 1987.

Turnover rose 11 per cent to DM2.75bn. Profits at Schering AG, the parent company, were DM106m, up 16 per cent, in the same period. Revenues were DM1.4bn, up 14 per cent.

Sales rose above average in the US, Italy and Brazil. Turnover in pharmaceuticals increased 12 per cent, plant protections chemicals 13 per cent, industrial chemicals 9 per cent and electro-plating 24 per cent.

The company said good results at its Schering's European subsidiaries were negatively affected by the rising pound, which forced a higher valuation for its £49m bond issue due 1990.

In the US, where Schering is still suffering losses because of high start-up costs for its pharmaceuticals, the second-quarter deficit narrowed from a year earlier on sharply higher sales.

GPA posts 45% rise in profits

GPA GROUP, the world's biggest aircraft leasing company, has announced net income of $34.4m for the first three months of 1988, up 45 per cent on the same period last year, writes Kieran Cooke from Dublin.

Mr Tony Ryan, chairman and chief executive of the Irish-based company, said GPA had increased its leasing fleet from 104 to 118 aircraft. Last year GPA made profits of $101.3m. GPA, a privately held company, is based at Shannon.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Swaps keep in step with the regulators

Dominique Jackson on the way a little-understood investment tool has come of age

A new survey has cast light on the hitherto mysterious market in interest rate and currency swaps – once considered rarified and risky instruments but now increasingly seen as routine and indispensable tools for exposure management.

Institutional swap portfolios have now topped the $1,000bn mark and the market seems in good shape for further expansion despite initial concerns that new bank capital adequacy rules being formulated by regulators worldwide would markedly slow its development.

Since its beginnings in the early 1980s, the swaps market has often been regarded with a certain degree of suspicion. The instruments are complex, the procedures highly technical and up until now, detailed data on swap transactions have been difficult to obtain.

As part of an effort to keep a closer eye on market developments, the International Swap Dealers Association, a global group of 94 financial institutions, has just published reports on the outstanding volume and usage of swaps for last year as well as loss experience by dealers in 1987.

The survey on losses, which covered 71 firms, showed that 11 had experienced losses with total write-offs accounting for $33m on portfolios which totalled a notional $283bn.

Mr Mark Brickell of Morgan Guaranty and ISDA's chairman said: "These results speak well for the industry at a time when the regulators are assessing risk levels and determining the proper amount of capital which banks should allocate against swap transactions."

The surveys constitute the first important research done on both interest rate and currency swap portfolios in a market which has only really been in existence for about five or six years. ISDA itself was not founded until 1985 when outstanding volume in the market was estimated at $3bn, giving an indication of the rapid pace of growth in its initial period.

Ms Marion Robinson of Bankers Trust in New York and head of ISDA's market information committee said: "When the market first started, swaps were usually dismissed as little more than an exotic and dubious sideline. Now few financial institutions can really afford to ignore the market and most are still actively upgrading their swaps capabilities."

Although there is still a lot of work to be done to foster public understanding of the global swaps market, end-users' confidence in the product is much higher, she said. In an area such as the primary Eurobond market, the ability of an institution to effect the desired swap, and thus an attractive eventual cost of funds, is often the key to the borrower's decision in awarding the mandate for its issue.

In the analysis of the outstanding portfolios of 49 leading firms, interest rate swaps – when two institutions receiving or paying interest income agree to exchange payments or receipts – accounted for around four-fifths or $889.5bn. Cross-currency transactions made up the other fifth or $219.1bn. This was based on reports of 52,629 transactions.

New business written by the 49 institutions last year aggregated $473.6bn, adjusted for inter-dealer transactions. This comprised $388bn in interest rate swaps (82 per cent) and $86bn (18 per cent) in currency swaps.

In both surveys, the US dollar, around which the swaps market initially grew, accounted for by far the largest share – nearly 80 per cent of outstanding interest rate swaps and 45 per cent of currency swaps. In new business, the US dollar accounted for 74 per cent of interest rate and 45 per cent of currency swaps.

However, dealers noted that business in other currencies was on the increase. Yen swaps account for between 7 to 8 per cent of interest rate swaps and around 15 per cent of cross-currency transactions. Sterling and D-Mark transactions have a similar share of each sector of between 3 to 5 per cent of the market.

One of the aims of ISDA is to maintain a productive dialogue with international regulatory bodies on whom the continued development of the swaps market is dependent.

Ms Robinson said: "We take capital adequacy very seriously indeed and have worked with the regulators to ensure that all ISDA members are able to comply with each new set of guidelines." Co-operation so far has been good although there remain some points on which the two parties differ.

One of these is the concept of netting of volumes. ISDA is urging the authorities to allow deals between two counter-parties to offset each other for capital purposes but the regulators have yet to accept the validity of this method of cancelling out two sets of risk exposure. Although ISDA has enlisted support from several senior US legal experts to back its case, the concept has yet to be tested in a court of law.

Most participants in the swaps market welcomed the clarification of many grey areas which had previously left them uncertain as to how much room they had to manoeuvre. New guidelines are not expected to affect the development of the market greatly but could, for example, curtail the buoyant interbank swap business, which is mainly used as a way of taking a view on interest rates. Strict capital adequacy rules could mean that financial futures or even bonds are more efficient tools for banks to carry out this kind of strategy.

Mr Malcolm Walley of Barclays de Zoete Wedd said: "Far from threatening the marketplace itself, the capital adequacy proposals should give participants a more secure base on which to build. The market is developing well, surprisingly so outside the US and, in the run-up to the single European market in 1992, we expect far more efficient use to be made of swaps in cross-border borrowing as cross-border commercial business grows."

US discount rate increase takes traders by surprise

By Dominique Jackson

THE US Federal Reserve's move to raise the discount rate by a half point to 6.5 per cent provoked the Eurobond market into action yesterday following a quiet morning's trading during which most operators had squared positions, content to await last night's Treasury auction of $11bn of three-year bills.

The timing of the discount rate rise took most dealers by surprise, coming the day after a move by the UK authorities to increase base lending rates by the same margin up to 11 per cent and it prompted a wave of panic selling with both Eurodollar and sterling-denominated bonds swiftly marked around half point lower.

One senior dealer said: "The authorities have really pulled one over on the markets. The two rate hikes have concentrated several minds on those inflationary pressures which were clearly presaged in last week's US jobs data."

However, following an initial burst of activity, selling pressure in Eurobonds appeared to abate as most dealers switched their attention to the Treasury market, marking down prices in line with movements in New York.

"The shock of the rate rise may hit the bond markets right now but the Fed's willingness to take anti-inflationary action is bound to boost the dollar and in the longer term, that should spell good news for Eurobonds," commented one syndicate manager.

In the day before the rate hike, JP Morgan led a dollar straight for Electricité de France, which carries the Republic of France guarantee. The seven-year issue carried a coupon of 9¼ per cent and was priced at 101½. It was increased not long after launch to a total of $200m from the original amount of $150m.

The deal was issued to refinance an outstanding callable floating rate note carrying the

INTERNATIONAL BONDS

same maturity and the borrower was able to achieve a more attractive cost of funds through the underlying swap transaction. The spread on the deal at launch of 40 basis points over comparable Treasury issues was deemed "tight but right." Following the increase, this narrowed to 36 basis points and held at that level for the rest of the day, despite the softer tone of the secondary markets.

Merrill Lynch Capital Markets led a five-year C$150m deal for North American property developers Olympia & York at 11 per cent and 101½. This was the Euro-tranche of a tripartite deal, C$325 of which was placed domestically in Canada last week. The issue was through a company called Olympia & York First Canadian Place as the bond is secured by the mortgage on First Canadian Place, the borrower's prime real estate in Toronto.

The deal excited interest from European investors who are rapidly becoming more familiar with the borrower. The initial spread of 104 basis points over comparable government issues was also popular. However, the deal later slipped in line with the sell off in the secondary market to trade just outside its fees.

Hambros Bank took advantage of a pocket of demand for New Zealand dollars with a NZ$50m deal for the Commonwealth Bank of Australia carrying the added incentive of a Commonwealth guarantee. The three-year issue carried a 14 per cent coupon and was priced at 101⅜. The lead manager said demand was excellent.

Hambros also brought Toyota Motor Credit to the Australian dollar market with a similarly structured A$75m three-year deal at 13 per cent and 101¼. Although the Australian dollar sector has been selective, the name of the borrower was expected to appeal to retail accounts and the deal attracted a strong co-management group.

Strong demand boosts Highveld Steel profits

By Jim Jones in Johannesburg

HIGHVELD Steel and Vanadium of South Africa reports higher profits for the first half of 1988 following strong domestic demand for steel and expanding international sales of ferro-alloys.

The company said the US dollar price of vanadium pentoxide reached a record high in July and that demand for vanadium alloys had continued to improve in all major export markets. At home, steel consumption had risen sharply, particularly for flat products used in durable and semi-durable consumer goods.

Highveld expects export markets to remain firm for the rest of the year, although it fears a slower local economy will affect domestic steel sales. Export profit margins are expected to be enhanced by the weaker rand.

Sales for the half-year rose R499m ($202m) from R367m in the corresponding year-ago period. Pre-tax profit was R89m against R33.5m. For 1987 as a whole, turnover was R850m and the pre-tax profit R74.3m.

● Botswana RST, the nickel and copper mining company, lifted production and sales in the first half of 1988 but has again increased its accumulated deficit. Sales of nickel rose to 10,567 tonnes from 8,781 tonnes. Copper sales were 12,545 tonnes against 10,130 tonnes.

Group sales were Pula 171.4m ($87.4m) and operating profit before interest and currency losses totalled Pula 108.6m.

La Générale subsidiary buys stake in Euroratings

By Stephen Fidler, Euromarkets Correspondent

EURORATINGS, the London-based agency attempting to establish itself as a leading European credit ratings service, said yesterday that Tanks Consolidated Investments, a subsidiary of Société Générale de Belgique, had taken a 45 per cent stake in the company.

Since its launch in March 1987, Euroratings has been on the lookout for a third shareholder. Fitch Investors Service, the New York-based rating agency, has held a 40 per cent stake since then and Compaigne Belge Assurance Credit a 15 per cent stake.

Euroratings said it would continue to seek other European shareholders, which would reduce the share of the capital held by Tanks. It was, for example, actively seeking a French shareholder, although it ruled out a possibility of a tie-up with IBCA Banking Analysis, the London-based bank rating agency which is moving into to the more general ratings business.

While it has rated more than 150 issuers of securities, Euroratings has yet to gain full acceptance in the market.

Mainly for this reason, it has not been recognised by the Securities Association, London's main self-regulatory organisation, as an eligible rating agency for purposes of deciding how much capital its members set against their inventory of securities. The agency says, however, that the TSA has no questions over the agency's technical competence.

Financial row flares in Seoul

By Maggie Ford in Seoul

THE ROW over control of financial policy in South Korea broadened yesterday following the decision of the Monetary Board, nominally in control of the central bank, to ask for a revision of its role.

The board members, which includes four senior economics professors and two top bankers, asked the Ministry of Finance to place authority over financial liberalisation in its hands. The request adds a new factor to the continuing argument over the independence of the Bank of Korea, the central bank, from the Ministry of Finance.

South Korea's financial system is in urgent need of reform, most businessmen bankers and business executives believe, but no progress has been made on liberalisation because of the argument over control.

Some stockbrokers and bankers yesterday dismissed the intervention of the board members as simply another element of the power struggle, which does not address the basic issue. South Korean capital markets are still in a primitive state, which businessmen feel will soon prove detrimental to the country's continued economic success and increased sophistication.

Although Opposition leaders have supported the independence of the central bank as basic to the financial restructuring, one senior investment banker said this would simply be replacing one bureaucracy with another.

A senior securities executive commented that the Monetary Board could have a role to play under liberalisation, but that the board would need to be staffed by senior professional financial and business people rather than the present academics. To safeguard ethical standards, the appointees should be approved by the National Assembly, he said.

The issue of reform has gained momentum in the past few weeks as businessmen and commercial bankers have added their voices to calls for change. Under the board's proposal, the governor of the Bank of Korea would be the chairman of a new board overseeing policy. The Bank earlier unveiled a similar proposal in which the board, however, would be clearly subordinate to the Bank.

Canon forecasts dramatic results

By Our Financial Staff

CANON, the Japanese camera and photocopier group, yesterday gave a preview of its first-half results and reported a dramatic surge in profits.

The results preview was requested by the Tokyo Stock Exchange.

For the six months ended in June 1988, operating profits have jumped by 240 per cent to around Y20bn ($151m) following a rise in sales of 22 per cent to Y510bn.

Canon is due to announce full results on August 19.

The group said the stock market authorities had expressed concern over leaks and the possibility of insider trading following the company's startling recovery.

Canon forecast that its pre-tax profit for the whole of this year will be roughly double the 1987 total and stood a good chance of topping the Y42.5bn record posted in 1985.

US cash management demand slows

By Richard Waters

SALES OF cash management services by banks in the US grew by just 8 per cent last year, about half the rate of growth in each of the two previous years, according to management consultants Arthur Young.

The slowdown in this $4.5bn market is even more acute in volume terms: 1 per cent growth in 1987 compared with more than 10 per cent in 1985 and 1986.

This was due to mergers among large corporations, leading to lower demand, and to prevailing lower interest rates, say the consultants.

The findings, in the firm's fifth annual survey of the US cash management market, reveal that no single bank commanded more than 4 per cent of the market, though there were clear leaders in particular product lines. Just five institutions, for instance, provided four out of every five treasury workstations.

1988 Cash Management Services Survey, Victoria Tomlinson, Arthur Young, Rolls House, 7 Rolls Buildings, Fetter Lane, London, EC4A 1NH. £100.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on August 9

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	93¼	93¾	-0¼	-0⅞	9.73
All Nippon Air 9⅝ 97	100	†93⅝	94⅛	-0½	-1⅛	10.46
Amer. Brands 8⅞ 92	150	†96½	96⅞	-0½	-1⅛	9.94
A/S Eksportfinans 7⅜ 93	100	†91⅜	91⅞	-0½	-1⅛	9.69
A/S Eksportfinans 7⅛ 92	150	†93⅜	93⅞	-0½	-1⅛	9.47
Austria 10 98	100	†102⅞	103⅜	-0⅛	-0⅛	9.49
Barc. Bk. Fin. 10¼ 89	200	†100⅜	100⅞	-0½	-1⅛	9.64
B.F.C.E. 7 92	150	93⅛	93⅝	-0⅞	-0¼	9.20
British Telecom 7⅝ 96	250	88⅝	89⅛	-0¼	-0⅞	9.65
Cal.Natl.Telecom 8½ 93	160	†96⅞	97⅜	-0½	-1⅛	9.28
Canada 9 96	1000	98½	99	+0⅛	-0¼	9.22
Canadian Pac 10¾ 93	100	†103¾	104¼	-0½	+0¼	9.73
C.C.C.E 7⅛ 91	113	†93¼	93¾	-0½	-1⅛	9.55
C.C.C.E 9¼ 95	300	98¾	99¼	0	-0⅛	9.44
C.N.C.A 7¼ 91	150	94⅛	94⅝	0	-0¼	9.24
Credit Lyonnais 9 91	200	99⅛	99⅝	-0¼	-1	9.24
Credit National 8¼ 93	200	95½	96	-0¼	-0⅛	9.39
Credit National 7⅞ 92	100	94⅝	95	+0¼	-0¼	9.13
Credit National 7¼ 91	150	93⅞	94⅜	-0¼	-0⅞	9.34
Denmark 7⅛ 92	500	92¾	93⅛	-0⅛	-0⅛	9.50
E.E.C. 7 91	100	94⅛	94⅝	+0⅛	-0⅛	9.01
E.E.C. 7¼ 93	250	92⅞	93⅝	0	-0⅛	9.14
E.E.C. 8 90	350	98⅜	99	-0⅛	-0¼	8.79
E.I.B. 7⅝ 93	100	93⅛	93⅝	+0⅛	-0¼	9.23
E.I.B. 9⅜ 97	150	†99	99½	-0¼	-0⅛	9.50
Elec.De France 9 98	200	95⅝	96⅛	0	-0⅛	9.66
Finland 7⅞ 97	200	†89½	90	+0⅝	+0¼	9.69
Finland 7½ 93	200	92⅛	92½	-0¼	-0¼	9.48
Fin.Exp.Cd. 8½ 92	200	98	98½	-0⅛	-0⅛	9.06
Ford Motor Credit 8 91	250	96¾	97¼	-0⅛	-0⅞	9.31
Gen Elec Credit 10¼ 00	200	†100⅝	101⅛	-0⅛	-0⅛	10.11
G.M.A.C. 8 89	250	98⅞	99¼	-0¼	-0⅛	9.18
Halifax BS 9½ 93	200	†99½	100	-0¼	-0⅛	9.55
Hoesch 8¼ 97	100	†92¼	92¾	-0½	-1⅛	9.55
Italy 9 90	1000	99⅞	100⅜	-0¼	-0½	8.91
L.T.C.B of Japan 8 91	100	96⅞	97⅜	-0⅛	-1	9.13
L.T.C.B.of Japan 8 97	200	†88⅞	89⅜	+0½	0	9.95
Merc-Benz Cd. 8½ 95	100	†93⅞	94⅜	-0½	-1⅛	9.73
Metropolis Tokyo 9½ 93	200	101	101⅜	+0⅛	-0¼	9.15
Morgan Guaranty Tst. 7 90	150	96½	97⅛	-0¼	-0⅛	9.24
Norway 8¾ 93	500	98⅝	98⅞	+0¼	-0⅛	9.11
Pepsico Inc 7⅞ 93	200	†93¼	93⅝	-0⅛	-0⅛	9.14
Portugal 8¼ 91	300	97	97⅜	-0¼	-1⅛	9.30
Prudential Crp. 8¾ 94	125	97¼	97¾	-0⅞	-1	9.31
Qantas Airways 10⅜ 95	140	103	103½	-0⅛	-0⅛	9.70
Saskatchewan 10¼ 92	100	104	104½	-0⅛	-0⅛	9.25
State Bk S Aust 9¼ 93	100	99⅛	99½	-0⅞	-0⅛	9.43
Swed Exp Cred 7¼ 91	100	†94⅝	95⅛	0	0	9.06
Swed Exp Cred 10 92	100	†101⅛	101⅝	-0½	-1⅛	9.53
Sweden 7 91	250	94⅝	95⅛	+0¼	-0⅛	8.91
Sweden 7 92	250	†92⅞	93⅛	-0½	-1⅛	9.45
Sweden 8¾ 96	200	95⅝	96⅛	0	-0⅛	9.52
Sweden 8½ 92	200	†98¼	98¾	0	-0¼	8.96
Victorian Rep 11⅝ 92	150	106⅜	107¼	-0⅛	-0⅛	9.28
World Bank 7 92	300	†94	94½	+0⅛	-0¼	8.97
World Bank 9 97	300	96¾	97¾	0	-0½	9.51
Yasuda Trust Fin 8½ 93	100	95½	96	-0⅛	-0⅞	9.62

Average price change... On day -0⅛ on week -0½

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	55	100¾	101	0	-0¼	5.14
Belgium 4⅝ 94	45	95⅞	96¼	-0⅛	-0⅛	5.44
Canada 4⅝ 92	80	97⅝	97⅞	0	0	5.02
Elec. De France 5⅛ 94	20	98¾	99¼	-0⅛	-0⅛	5.33
Ireland 5⅛ 93	30	99⅝	100⅛	-0¼	-0⅛	5.15
Norway 5⅛ 95	50	98⅛	98⅝	-0⅛	-0⅛	5.39
Rep. of Italy 5⅜ 92	150	102⅛	102⅝	-0⅛	-0⅛	5.03
Sweden 4⅞ 93	50	97⅝	97⅞	0	-0⅛	5.23
World Bank 5⅛ 92	50	101⅞	102⅛	0	-0⅛	4.95

Average price change... On day -0⅛ on week -0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. BS 10¼ 93 £	50	98¼	98⅞	-0⅛	-0⅛	10.61
Alg. Bk. Ned. 5⅛ 92 FL	150	98⅝	99	-0⅛	-1	5.93
Amro Bank 6¼ 92 FL	150	100¾	101⅛	0	0	5.96
Barc. Aust. 14 91 A$	20	101⅞	102¼	+0¼	+0⅝	13.14
Barc. Bk. 10¼ 97 £	250	96¼	96⅝	-0⅛	-0⅛	10.84
BP Capital 9¾ 93 £	100	97⅛	97⅝	-0⅛	-0½	10.46
British Airways 10 98 £	100	94½	95	-0⅛	-0⅞	10.89
C.I.B.C.Mort.10¼ 93 C$	100	†99⅞	100⅜	-0½	-0⅝	10.67
Coop.Ctr.Rabo.6¼ 93 FL	100	100⅞	101⅜	+0⅛	+0⅛	5.94
Coop.Ctr.Rabo.6 92 FL	200	100¾	101¼	0	0	5.77
Denmark 7⅝ 92 ECU	100	100¾	101⅛	0	+0⅛	7.39
Deutsche Bank 9⅞ 97 £	75	†94½	95	-0½	-0⅞	10.82
Dent. Bk.Aust.12⅞ 95 A$	70	99⅝	100⅛	+0¼	+0⅝	12.74
E.I.B 10⅛ 98 C$	130	†98¼	98¾	-0½	-0⅝	10.36
E.I.B 8⅝ 93 LF	10	†100¾	101¼	0	-0⅛	8.32
Elec.France 10¼ 95 C$	125	†99½	100	-0⅛	-0⅛	10.29
Euratom 7⅝ 97 ECU	145	96⅛	96⅞	+0⅛	+1⅛	7.92
Eurofima 7½ 92 FL	50	†105	105⅜	0	+0⅛	5.84
Fed.Bus.Dv.Bk.9¾ 92 C$	75	†98⅝	99⅛	-0⅝	-0⅛	10.10
Ford Cr.Can.10¾ 93 C$	100	†101	101½	-0⅛	-0¼	10.35
Gillette Can. 9⅝ 93 £	70	†93⅞	94⅜	-0½	-0½	11.19
G.M.A.C. 9¾ 93 C$	150	†98⅜	98⅞	+0⅞	+0¼	10.10
G.M.A.C. 9¼ 92 C$	75	†99¾	100¼	-0¼	0	9.23
G.M.A.C Aus.Fin.14 90 A$	50	100⅝	101⅛	-0⅛	+0¼	13.42
Halifax BS 10⅜ 97 £	100	96⅞	97⅛	-0⅛	-0¼	10.88
Imp Chem Inds 10 03 £	100	†95½	96	-0¼	-0⅞	10.57
Inv.Industry Int.10 93 £	60	†97	97½	-0⅞	-0¼	10.75
Lloyds Bank 10¼ 98 £	150	94¾	95¼	-0⅛	-0¼	11.10
Montreal Tst.10¾ 93 C$	100	†95¾	96¼	+0⅛	+0⅞	11.86
Mtge.Bk.Den. 6¾ 91 FL	100	101⅞	102⅛	-0¼	-0⅛	5.97
Nat. West.Bk.13¼ 92 A$	50	†99⅛	99⅝	+0⅞	+0⅛	13.27
Nationwide BS 10⅛ 93 £	75	97⅛	97⅝	-0⅝	-0⅞	10.84
Ned.Midd.Bank 6 92 FL	150	100	100⅝	0	0	5.91
New Zealand 9½ 93 £	100	95⅛	95⅝	-1⅛	-0⅞	10.77
New Zealand 7¾ 93 ECU	200	100⅛	100⅝	+0⅛	+0⅛	7.63
Oesters. Ktbk.13⅝ 94 A$	75	102	102½	0	0	13.06
Prudential Fin.9⅞ 07 £	150	†89	89½	+0⅛	-0⅛	10.72
Royal Bk.Scot.10⅛ 98 £	125	96½	97⅛	-0½	-0½	11.22
S.D.R. 7¾ 95 ECU	90	99⅜	99¾	+0⅛	+0½	7.84
Wstd.Lb.Fin. 12½ 93 A$	50	†99⅞	100	-0⅛	+0⅛	12.53
World Bank 5¾ 92 FL	100	99⅝	100	-0⅞	-0⅛	5.86
World Bank 13⅝ 92 A$	100	†100½	101	0	+0⅛	13.11

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.Bld 94 £	.08	99.38	99.43	21/07	8.33
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price change... [illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price
† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK COMPANY NEWS

Racal and Millicom try to win over floating voters in final straight

What are likely to be the last salvoes in the battle for the future of Vodafone, the mobile telephone network, were fired yesterday. Racal, Vodafone's parent, and Millicom, a leading Racal shareholder, both sent out circulars in an attempt to win over floating voters in the final stages of the campaign.

An emergency meeting is being held next Tuesday to vote on the rival proposals – Racal wants to demerge partially its telecommunications subsidiary, which includes Vodafone, while Millicom wants a complete demerger.

Proxies, however, must reach NM Rothschild, Racal's merchant bank, by Sunday morning. This means that tomorrow is for practical purposes the last day of the campaign.

Sir Ernest Harrison, Racal's chairman, was in Scotland yesterday, talking to institutional investors there, who account for about 5 per cent of the company's equity. Mr Shelby Bryan, Millicom's chairman, is making a similar trip to Scotland today.

In its circular, Racal argues that there is extensive synergy between Vodafone and the rest of Racal. Millicom's riposte is that, even under a partial demerger, the two companies will have to deal with one another on an arms length basis to comply with Stock Exchange rules.

In an accompanying statement, Mr Bryan also claims that virtually all Racal's major shareholders support the logic of Millicom's proposals and says he is confident of victory. The Racal camp are being equally optimistic. A straw poll, conducted by the Financial Times last week, suggests that, although many shareholders accept the logic of Millicom's plans, they will still support Racal's management out of loyalty.

New Tokyo up

New Tokyo Investment Trust, in which a Maxwell Communications Corporation offshoot, London and Bishopsgate Trust, took a 15 per cent stake last month, reported net asset value at June 30 of 177.7p, against 174.9p a year earlier.

With investment income in the six months to June 30 increasing from £196,000 to £652,000 the trust reported a net profit of £238,000 against a loss last time of £125,000. Earnings per 50p came out at 0.54p (losses 0.29p).

The trust, managed by Edinburgh Fund Managers, is invested mainly in shares quoted on the second section of the Tokyo exchange and some unlisted securities.

Wolstenholme buy

Wolstenholme Rink has acquired the offset metallic ink and aluminium paste businesses of Johnson & Bloy (Holdings) for a maximum of £1.72m cash, depending on the valuation of stocks.

Under the agreement, Wolstenholme has acquired intellectual property rights, plant and machinery, two leasehold properties, stocks and certain liabilities.

Johnson had sales of £4.5m in the year to March 31.

The acquisition will expand Wolstenholme's own activities in metallic offset inks production.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Arley Hldgs ....int	1.1	-	nil	‡	nil
BBA Group ....int	1.45†	Nov 14	1.2	-	4
Capital/Counties ....int	4.25†	Oct 3	3.5	-	8.5
Contl Ind Tst ....int	20	Oct 3	20	-	50
CSC Inv Trust ....int	4.2	Sept 17	4	-	10
Douglas (Robert)....fin	2.95	Sept 29	1.8	4.25	3
Fairway § ....int	1	-	-	-	1.5
Jamesons Chocs ....int	2	-	2	-	6.5
McKay Secs ....fin	2.5	-	2.2	4.8	4.2
Printech Intl § ....int	1♣	Sept 9	-	-	0.57
Robinson (Thos) ....int	4†	Oct 3	2	-	8
TransAt Hldgs ....int	4	Oct 3	3	-	8

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ‡Final of 2.2p forecast. ♣Irish currency.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims- British Alcan Aluminium, Commercial Union, Denny Warren, Foreign & Colonial Inv. Tst., GKN, General Accident, Hambros Currency Fund, Intl. Thomson Org., Nova Inds, Robert Smith Engineering, Ultramar.

Finals- BOC, Beales (John), Cray Electronic, Flogas (F.I.), Property Security Inv. Tst., Wholesale Fittings.

FUTURE DATES

Interims-	
BTR	Sept 15
Bardsey	Aug 16
Baynes (Charles)	Aug 17
Blagden Inds.	Aug 15
Cadbury Schweppes	Sept 1
Cattle's Hldgs.	Aug 18
Consolidated Tern Inv.	Aug 18
Dewhirst (I.J.)	Aug 30
Expamet	Sept 6
First Scot. Amer. Tst.	Aug 16
Johnson Group Cleaners	Aug 18
Lilleshall	Sept 14
Moorfield Estates	Aug 22
Nth Midland Construction	Aug 18
Ratcliffe (G.B.)	Aug 16
Rea Bros. Group	Aug 16
Reckitt & Colman	Sept 8
Rodime	Aug 12
Raleigh Elect.	Aug 31
Ward Hldgs.	Aug 17
Finals-	
Bank of Nova Scotia	Aug 30
Dudley Jenkins	Aug 15
GT Japan Inv. Tst.	Sept 19
K'wort Benson Int Inc Bd	Sept 1

Cash will offset cost of buying rest of CIG

BOC to raise up to £42m from Australian sales

By Andrew Hill

BOC Group, the UK industrial gases and healthcare group, stands to receive up to A$89.5m (£42m) in cash from the sale or liquidation of five subsidiaries of Commonwealth Industrial Gases, the Australian group in which it now has an 87.4 per cent stake.

National Westminster Bank is to buy three of the companies – all of which provide financial services for CIG's operating divisions in the Asian Pacific region – for an estimated A$106m, calculated by CIG on the market value of the companies' net tangible assets. It is not yet known what role they will perform within the UK banking group.

The cash realised by the disposals will offset the cost of BOC's offer for outstanding shares in CIG. Last November the UK group launched an A$220m cash bid for the remaining 41 per cent of the Australian group's shares at A$4.20 a share.

CIG, which makes industrial gases, welding equipment and healthcare products, said it planned to sell or liquidate the subsidiaries for an estimated A$120m. The Australian group added that it was disposing of the five companies because it expected them to underperform in the next five years.

The proceeds of the disposal are not needed by the company, so some $102m will be returned to shareholders through a proposed capital reduction.

Investors hanging on to 12.6 per cent of CIG shares will also benefit from the disposals. The Australian group's local shareholders are diffuse – the largest after BOC held less than 2 per cent of the issued share capital – but according to reports from Australia yesterday some 80 per cent of the remaining institutional shareholders still intend to accept the offer from BOC, which today announces its third quarter results.

CIG Asia Pacific, Hammersmith Insurance and CIG International will be sold to Morwenneth, set up by NatWest in Hong Kong to make the acquisition. Two other companies – International Gases and F.T. Services – will be liquidated or disposed of, realising about A$12m.

Together, the companies made operating profits of about A$17.1m in the year to last September, out of total CIG operating profits of A$63.5m, on sales of A$585m.

Assuming the move gains shareholder approval and is confirmed by the New South Wales Supreme Court, CIG aims to reduce its issued capital from A$128m to about A$25.6m, with the surplus of about 80 cents per share being passed on to shareholders.

Stalemate in Sun Life talks

By Nick Bunker

MR DONALD GORDON, the South African financier who heads TransAtlantic Holdings, the Luxembourg-quoted holding company with a 26 per cent stake in Sun Life Assurance, yesterday admitted that the two groups have reached virtual stalemate in talks over Sun Life's plans to seek alliances with a number of European and US insurance companies.

Sun Life and TransAtlantic have held repeated discussions since February, when Mr Peter Grant, Sun Life's chairman, revealed that he was talking to a range of possible foreign partners including UAP, the French state-owned insurer. At the time, Mr Grant made it clear that any such alliances would involve Sun Life's foreign partners taking share stakes in the group.

In TransAtlantic's interim report, which was published yesterday, Mr Gordon says that during the talks he came close to reaching what he calls "an amicable accommodation" with Sun Life.

But, he adds: "It is becoming clear that the fundamental differences in approach could make a mutually acceptable compromise difficult to achieve."

A principal sticking-point is understood to be Mr Grant's continuing refusal to give TransAtlantic representation on Sun Life's board. Last year – when the two groups fought a bitter public battle over the issue – Mr Grant made it clear that he viewed TransAtlantic's demands for board seats as an attempt to win control of the company via the back door.

Mr Gordon, who is in London this week, would not be drawn yesterday on the details of his current differences with Sun Life's board. He said however that he was "still hopeful" that TransAtlantic could eventually achieve its objectives of co-operating with Sun Life's future development.

AOC acquires competitor

By Steven Butler

AOC INTERNATIONAL, the Aberdeen-based oil engineering and services company, yesterday acquired its competitor Peterhead Engineering along with a 45 per cent stake in Scottish Rig Repairers of Invergordon.

The acquisition is the latest in a series of reorganisations in Britain's oil services industry that followed from the sharp downturn in business after the 1986 collapse of oil prices. The combined group will have an expected turnover of about £50m with over 2,000 employees.

The move however will involve little rationalisation and Peterhead will continue to trade under its own name with its own management team.

Mr David Odling, sales director at AOC, said the acquisition is aimed at positioning AOC to take advantage of an expected upturn of work at the St Fergus gas terminal.

He said that Peterhead Engineering, which is based in Peterhead, had been hit hard by the slump in the industry, and that AOC would be able to provide better financial support to exploit upcoming opportunities.

Total, Marathon, and Shell each has gas projects in the area, although it is not clear how much of the gas will be piped to St Fergus.

Mr Odling also said that AOC's expertise in managing complex construction projects would also be of use at Scottish Rig Repairers, where projects have begun to convert semi-submersible rigs for use as floating production facilities.

This type of conversion allows for much cheaper development of small oil fields than the traditional fixed production platforms, and the work is far more complex than an ordinary rig repair job.

AOC and its parent company, Oil & Gas Construction, were acquired in May by the USM-listed Fairhaven International.

Elders lifts stake in S&N to at least 9.33%

By Lisa Wood

SCOTTISH & NEWCASTLE Breweries yesterday disclosed that Elders IXL, the Australian brewing, financial and pastoral group has increased its stake in the McEwan's lager brewer from 8.92 per cent to at least 9.33 per cent.

Mr Alick Rankin, chief executive of S&N, said: "Elders IXL has now decided to act in a way which is likely to inhibit the very successful S&N business." He said Elders should be asked to clarify whether or not it intended to make a bid.

Mr Andrew Cummins, the director responsible for strategy at Elders was unavailable for comment yesterday. Elders recently took its 2.9 per cent stake in S&N to 8.92 per cent with the purchase of shares held by Sir Ron Brierley's IEP Securities. Mr Rankin said he believed the latest share purchases were made last week with the 9.33 per cent stake being the figure on August 5.

The City, which believes Elders may have purchased more shares this week, has interpreted the purchases as a prelude to a possible bid. However, it is unlikely that Elders would mount a bid before the Monopoly and Mergers Commission completes its report next February on the UK brewing industry. A bid at present would provoke a referral to the MMC. However the Commission report may shed new light on competition policy in the UK brewing industry. In addition S&N shares currently contain a substantial bid premium.

Elders, which is intent on globalising its Foster's lager brand, bought Courage, a UK brewer, two years ago. In addition to its stake in S&N Elders has built up a 13.1 per cent stake in Greene King, the East Anglian brewer.

Mr Rankin said the S&N stake-building destabilised his group. Uncertainty over a possible change in management made it more difficult to negotiate contracts and recruit staff.

IN BRIEF

PORTER CHADBURN has sold Offshore Drilling Supplies to Floyd Energy for £1.75m cash. In the year ended April 1 1988, ODS produced profits of about £230,000 on turnover of £6.2m.

POWELL DUFFRYN has, through subsidiary Hamworthy Engineering, acquired S.V. Castings of Newport, Gwent, for £250,000.

YELVERTON INVESTMENT is to buy from Ambrit International its 21.99 per cent investment in Malvern Property for £1.32m. The acquisition will raise Yelverton's stake to 29.97 per cent.

Acquisitions help BBA advance to £27.8m half-way

By Vanessa Houlder

BBA, the motor components and industrial materials company that seized control of Guthrie Corporation in April, yesterday announced a 43 per cent rise in pre-tax profits from £19.5m to £27.8m for the first six months of the year.

Sales increased by 32 per cent to £449.1m (£339.7m), helped by acquisitions, including a six-week contribution from Guthrie. Sales of existing businesses rose by 8 per cent. Overseas sales, principally in mainland Europe, North America and Australia, amounted to 69 per cent of the group's activity at £310.2m.

Operating margins increased from 7.6 per cent to 7.9 per cent. Dr John White, managing director, said the goal was to achieve margins of 10 per cent within eighteen months.

Automotive components, which account for two-thirds of sales, produced profits of £25.7m (£20.9m). This was due to strong demand from the original equipment and replacement sectors of the market coupled with continued productivity benefits from a recent rationalisation programme.

Industrial textiles and engineering products, which enjoyed improved trading conditions, contributed profits of £10m (£4.9m). Interest charges increased from £6.3m to £7.9m.

BBA said that the managerial assimilation of Guthrie was almost complete. It also announced yesterday several small disposals, undertaken as part of a tidying up process. These comprised two BBA companies, four Guthrie companies and four pieces of real estate. In addition, negotiations were underway to dispose of more real estate and a further 7 companies, Dr White said.

He added that the company was looking for a major divestment. Its target was to reduce its gearing of 100 per cent to 40 or 50 per cent within 18 months. "We are leveraged beyond what we are comfortable with," he said.

Capital expenditure totalled £28.4m in the first half and is expected to continue at this rate.

Earnings per share increased from 7.4p to 9.3p, a gain of 26 per cent. The interim dividend is raised to 1.45p (1.2p). an increase of 21 per cent, was declared.

See Lex

Farmers lodges appeal over Californian ruling

By Nick Bunker

FARMERS GROUP, the US insurer fighting a $4.5bn (£2.65bn) hostile bid from BAT Industries of the UK, is to appeal against a decision by a Los Angeles judge to overrule objections to the takeover raised by California's insurance commissioner.

On Friday, Judge Kurt Lewin of the state's Superior Court freed BAT to go ahead with the acquisition, after deciding that the commissioner was mistaken in disallowing the bid in June on the grounds that BAT is part owned by foreign governmental bodies.

California-based Farmers said yesterday that it has filed notice of the appeal with the Second Circuit of the state's Appellate Court, an action which has the effect of staying any moves by the state's insurance department to reverse its decision.

Mr Jason Katz, Farmers' general counsel, said additional evidence" must be considered on the validity of BAT's plans to finance the acquisition and allegedly inadequate disclosure by BAT of its post-acquisition plans for the company.

In a related development, BAT said it had given the Idaho insurance department assurances that it would maintain current employment levels in the state and continue to offer hospital medical malpractice insurance there.

The assurances are designed to overcome objections raised by Idaho's insurance commissioner on July 19.

Printech advances 64% to I£951,000 half-way

Printech International achieved a 64 per cent rise in pre-tax profits from I£580,000 to I£951,000 (£794,000) in the six months to June 24 1988, on sales ahead 70 per cent from £3.51m to £5.96m. The Dublin-based manufacturer of technical manuals, quoted on the USM, is planning to invest some £7m over the next 12 months to increase production capacity by about 80 per cent.

An interim dividend of 1p (nil) has been declared on earnings of 4.1p (3.5p).

G M Firth stake has unsettling effect at Cohen

Clare Pearson looks at the reactions to the new shareholder with 8% of the family's scrap business

THE ODD aunt, a stray uncle, possibly granny: the annual general meeting of A. Cohen & Co., scrap reclaiming business handed down through the Cohen family for six generations, has not generally been graced with any more forceful individuals than these.

Tomorrow's meeting, however, could be livelier: Mr Ian Wasserman, ex-Jim Slater aide and still something of a name to conjure with as chairman of G.M. Firth, steel stockholder and portfolio investor, says he hopes to be there. As well he might, since he is now an 8 per cent shareholder in the company.

Cohen's shares, split broadly evenly between the voting and non-voting shares, are so tightly held that such a stake could never have been acquired in the open market.

However, Mr Wasserman got lucky: shortly after Cohen announced better-than-expected full year results on June 28, he was offered a block of shares representing 5.2 per cent of the equity. The seller was Investat (Nominees), a Hong Kong-registered concern thought to be connected with an Australian-based employee of Hoare Govett, Cohen's stockbroker.

Since then, he has been able to top up his holding, held through GMF Investments, so that he now owns 92,000 of the 950,550 outstanding non-voting shares, and 52,250 of the 844,000 voting shares.

GMF Investments makes an unusual addition to Cohen's somewhat cosy shareholders' register, but Mr Roger Cohen, managing director, professes himself unperturbed. "We would like to be friendly with him," he says. "I presume he realises ours is a company that can only be taken over if the people that control it wish it to be." Shareholdings of the family and directors, as shown in the latest report and accounts, add up to about 37 per cent.

However, Mr Wasserman is more sceptical. "It's one of those cases where the thought may be less than the facts," he says. And indeed so long-established is A. Cohen that small holdings have been spread far and wide through relatives of the family, whose loyalty, it might be presumed, need not be unswerving.

Moreover, the Wasserman move has spurred the Cohens into taking their two substantial institutional shareholders out to lunch recently.

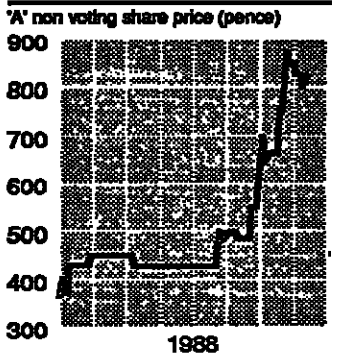
Of course, this kind of stake-building is by no means anunusual activity for G.M. Firth, a company which has been just as involved in buying and selling shares as in steel stockholding since Mr Wasserman joined the board seven years ago.

Mr Wasserman says he is this year concentrating more on developing industrial interests through acquisition in the light of lower selling prices since last October's stock market crash. But in its financial year to March 31, about half the company's £4m pre-tax profits came from investments in shares.

Were he to sell at current prices, he would certainly realise a useful profit on his holding in A. Cohen: the non-voting "A" shares have risen by more than 70 per cent, and the ordinary shares by more than 50 per cent, since the interim results. But in spite of this rise, the "A" shares are still trading on a prospective p/e of less than 7.

Cohen

'A' non voting share price (pence)



Yet the performance of Cohen has improved dramatically in recent years, and after more than doubling to £2.61m in 1986, profits rose by 25 per cent to £3.3m last year.

A feature of its recent development has been that it has been building up its UK businesses, traditionally smaller and less well performing than its Australian businesses. Its most spectacularly successful UK business has been the joint venture, Mayer Cohen, which recycles British Telecom plastic and electronic scrap. This produces margins so wonderful that the company dares not talk about them.

The company has, moreover, displayed considerable flair for buying and selling businesses. Recently it sold Avomet, a Welshsheet business it bought for £102,500, on an exit p/e of 19, for about £1.3m. Its balance sheet is strong and its land and properties have not been revalued in years.

Trading continues to be strong in the current year, and Mr Cohen says the company is now contemplating moving into wider forms of waste reclaiming. "We started off recycling metal to make guns for the Napoleonic wars: two centuries later, quite by chance really, we find waste reclaiming is a fast-expanding and fascinating area," he remarks. GMF Investments might do well to hold.

UK COMPANY NEWS

Yale & Valor adds to door fittings

By Clare Pearson

YALE & VALOR, the locks and domestic appliances group at the centre of bid speculation, is boosting its door fittings side with the $38.7m (£22.9m) acquisition of Illinois-based Rixson-Firemark.

The acquisition adds another brand name to the array of products amassed by the company, which was created last June when UK-based domestic heaters concern Valor quadrupled its size with the $460m acquisition of two US companies – locks group Yale Securities and NuTone, household appliances company.

Recently, there has been speculation that Yale & Valor could be under threat from interests on both sides of the Atlantic. Ingersoll-Rand, US industrial equipment company, holds nearly 3 per cent of the shares. Early last month, it was revealed that Williams Holdings, the acquisitive British conglomerate, had bought a 3.9 per cent stake.

But Mr Tony Marson, finance director, said yesterday that the purchase had been conceived several months ago, before the takeover speculation blew up.

He said the acquisition was a natural extension of the company's existing activities, and was in line with its aim of being able to offer a full-range of door products. Earlier this month, the company bought H. Soss, a Los Angeles door accessories manufacturer.

Mr Pat McCord, president of Yale Security, said: "Rixson-Firemark has meant 'quality' since the beginning of this century."

The company is known principally for its concealed door closers, which are mainly used in corporate and public buildings, including the Library of Congress in Washington. It also makes door holders and stops and threshold floor plates. It made operating profits of $4.3m on sales of $28.2m in the year to February.

The seller is Mark IV Industries, the New York-based manufacturer which earlier this month said it planned to bid for Armtek, manufacturer of automobile parts and materials. Mr Sal Alfiero, chairman, said the sale was unrelated to that proposed $490m deal.

Mr Marsen took over as Yale & Valor's finance director in June after Mr Norman Davis, a long-serving Valor director, resigned amid an acrimonious boardroom dispute. Mr Davis said the company was dominated by Mr Michael Montague, chairman, and had failed to strengthen its management in line with its growth.

Yale & Valor, which has also this year bought Ingersoll Locks, made pre-tax profits of £34.5m in its financial year to end-March. Before yesterday's acquisition, it was virtually ungeared.

Failed bid cost Thomas Robinson £3.46m

By Clare Pearson

THOMAS ROBINSON Group, engineering mini-conglomerate, lifted pre-tax profits by 50 per cent to £7.38m in the half year to end-June, but also revealed that it had incurred £3.46m costs for its unsuccessful bid for the John Crowther textile company.

The cost of the bid, which it lost to home furnishings group Coloroll in June, combined with losses on disposals, gave rise to a £4.31m extraordinary item.

Turnover rose nearly 90 per cent to £79.79m (£42.62m). Earnings per share came out 22 per cent higher at 20.6p (16.9p). The interim dividend is doubled to 4p.

Mr Graham Rudd, chairman, said the company continued to look for opportunities to expand distribution activities through acquisition, for which he said Crowther would have been an ideal vehicle. Robinson planned to sell Crowther's clothing companies as Coloroll has done.

The overall performance of Robinson's existing operations continued to be "most encouraging," Mr Rudd said. The order book, mainly comprising long-term process engineering contracts some of which extend through the next financial year, stood at £84m.

During the first half, Robinson bought Calder Woodworking Machinery, a distributor of woodworking equipment, and last month WA Boulting, an electrical contractor and wholesaler.

The £2.8m sale of Wadkin, a machine tool business which Mr Rudd admitted proved difficult to dispose of, gave rise to a loss of £777,000. The sale of the theatre lighting business of WJ Furse, last year's biggest acquisition, produced a loss of £71,000. Furse's stairlift business has been sold since the end of the period.

A tax charge of 26.25 per cent is assumed in the interim figures. Mr Rudd warned that the charge would be "substantially" higher next year.

● COMMENT

Mr Rudd says he has not been put off making a sizable bid for a public company; but judging by the reaction of the institutions to the Crowther move, the option is not going to be open to him this year at least. Instead, investors will be wanting to know what kind of underlying growth the company, which made about ten acquisitions last year, is achieving. In that regard, these figures were, unlike those at the end-year, not helpful. There is, on the other hand, no reason to suppose that anything is going wrong: things look particularly good on the process engineering side where orders from the US for Robinson's services will be generating fat margins because of the lack of indigenous competition. Full-year pre-tax profits of about £17.5m are likely, putting the shares, which are unlikely to move much in the short-term, on a prospective p/e of about 9.

GC&C and Distillers meet EC officials

By Lisa Wood

REPRESENTATIVES of both sides in the controversial hostile bid for Irish Distillers were meeting officials at the European Commission yesterday to discuss the Commission's dramatic intervention in the I£198.5m (£167m) bid.

It is understood that the discussions also included whether or not the EC would allow a reconstituted bid with one of the three parties in the bidding consortium – of Allied Lyons, Grand Metropolitan and Guinness – making a sole bid. EC sources suggested GrandMet might make a bid on its own. GrandMet last night declined to comment.

The Commission is complaining that the consortium – called GC & C Brands – has contravened EC competition rules by mounting a joint bid and by announcing in advance how it intends to carve up Irish Distillers' markets.

Mr Simon Medcalf, of County NatWest, said the discussions were about the EC's preliminary findings and its effect on the bid. He said the EC would also have an influence on the Takeover Panel which is being urged by the consortium to extend the timetable for the bid.

The EC last week gave GC & C two weeks in which to answer its complaints. However GC & C Brands has, under Takeover Panel rules, only until this Friday to improve the terms of its bid.

GC & C Brands yesterday announced it was extending its 315p cash offer for Irish Distillers until August 19. On Monday, the second closing date, acceptances were virtuallyunchanged at 20.34 per cent.

Trading and interest receipts feature in Capco midway surge

By Paul Cheeseright, Property Correspondent

CAPITAL AND COUNTIES, the international property group with a significant portfolio of retail and office developments, yesterday announced interim profits at a level more than three times higher than last year.

Pre-tax profits for the six months to June were £20.62m, compared with £6.55m and with £24.89m for the whole of 1987.

Earnings per share, on equity enlarged by a rights issue in July 1987 and by the issue of shares to Pearson in May 1988 in exchange for its interest in the Thurrock shopping project, were 8.8p. Shareholders will receive an interim dividend of 4.25p, against 3.5p. For the whole of 1987 the total was 8.5p.

Although property investment income rose from £12.55m to £14.55m in the first half, the striking causes of the pre-tax profits surge came from trading and interest.

Property trading profits rose to £3.63m (£698,000). The company has been rationalising its investment properties and has a £50m sales programme of trading properties. It intends to repeat this trading performance in the second half. This week it announced the sale of a shopping centre at Weston Favell, Northamptonshire, for £18m.

Capco received interest of £4.74m, instead of making payments of £4.16m as in the first half of 1987. About £1m of this comes from the rights issue and the rest from the capitalisation of interest on the development programme.

The rights issue which raised £182m, combined with debenture issues totalling £100m in May 1987 and May 1988, plus the arrangment of multi-option bank facilities, enabled Capco comfortably to finance recently the purchase of a City of London office block for £33m and the purchase and leaseback of the Lewis's department stores for £79m.

At the same time it has a £600m development programme, the biggest components of which are shopping centres at Thurrock, Bromley and Watford, that will provide 2.25m square feet of retail space.

Capco, which is 63.8 per cent owned by TransAtlantic Holdings, itself controlled by Liberty Life of South Africa, is predicting "an increase in earnings for the year as a whole which will justify another worthwhile real addition to the annual rate of dividend."

The shares yesterday slipped 5p to 388p in a sluggish market.

Robert Douglas improves 27%

SUBSTANTIAL PROGRESS was made by Robert M Douglas Holdings in the year ended March 31 1988, with turnover up 27 per cent to £182.26m and pre-tax profits ahead 35 per cent to £6m.

Mr John Douglas, chairman, said the results demonstrated the underlying strengths of the group, operating in construction, property, housing, construction equipment, materials and specialist contracting, reinforced by the reorganisation and planned expansion of the past five years.

Shareholders share in the group's progress, their dividend being lifted by 42 per cent to 4.25p – the final is 2.95p. Earnings showed a 66 per cent advance to 27.1p (16.3p).

The chairman said opportunities available to all the group's UK companies were better than for some time. Prospects in overseas markets in Australasia, Middle and Far East, and the US remained satisfactory.

Douglas Hill Developments had recently been established to exploit the increasingly active house building market in the Midlands.

It was intended to revalue the group's properties at the end of the current year.

Huntingdon placing for £5m

TO FINANCE its continuing expansion, Huntingdon International Holdings is raising £5.1m net through an institutional placing.

This was announced yesterday along with the results for the third quarter ended June 30 1988. Pre-tax profits in that period rose from £2.07m to £2.64m, thereby pushing up the nine months figure from £5.66m to £6.91m.

Huntingdon runs biological, safety testing and engineering services in the UK and US, and came to the market in March 1987. The directors intend to pay a dividend for this year, believing such a move at this stage of group development was not inconsistent with the long-term growth strategy.

The cash raising will be effected by J Henry Schroder Wagg placing 1.9m shares at 275p each, against Monday's close of 285p. Brokers are Kleinwort Grieveson Securities.

Proceeds will be used to finance continuing expansion and enhancement of the biological safety evaluation facilities in the UK, which continued to operate at near full utilisation of capacity.

In his statement Mr Bennie Wooley, chairman, said the rapid recovery from the weather effects of the second quarter hadbrought a sharp improvement in margins. Taxation continued at a significantly lower rate than last year, and helped earnings for the quarter to 4.9p (3.8p).

Mr Wooley said the engineering services had grown dramatically over recent years, mainly through acquisition. The new companies had added significantly to the range of services on offer and to the geographical coverage of the US.

ICI Fibres in geotextile sale to Exxon

ICI Fibres is selling its Terram geotextiles business to Exxon Chemical (UK) for a consideration less than 0.5 per cent of ICI group net assets. The sale is part of ICI Fibre's strategy of concentrating resources on its growing core businesses of nylon and speciality polyester.

Exxon Chemical will take over responsibility for all current Terram employees, the plant, equipment and development of the business. It already has a strong geotextiles business in the US, which the Terram non-woven product range will compliment.

As a result of the synergy, both Terram and its employees will become part of a developing activity within Exxon Chemical's plan for strategic growth in polymers for construction.

Herrburger falls 60% to £64,000

Herrburger Brooks, maker of piano actions, keys and hammers, reported pre-tax profits down 60 per cent from £160,528 to £64,226. It blamed the shortfall on the costs involved in the expansion into office furniture as well as pressure on margins in the piano division.

Turnover at the Kimball International offshoot for the year to the end of May 1988 was £437,000 higher at £7.44m. After tax of £14,725 (£47,747) earnings per share came out at 3.79p (8.63p).

Directors said that the first significant office furniture contract was secured in the final quarter with the likelihood of more in the coming months.

Fewer redundancies help MSC

IN THE first half of 1988 the Manchester Ship Canal Company has shown a substantial increase in profits, from £358,000 to £1.3m, but only a large reduction in redundancy payments and the absence of accelerated depreciation provision made that possible.

With the prospects of much reduced revenue the port faced particularly difficult conditions until costs were reduced, the directors stressed. The property estate showed much promise in the longer term.

The company is a subsidiary of Highams, the Lancashire industrial textiles group.

In the half year to June 30 turnover fell to £10.63m (£11.78m) and the operating profit to £880,000 (£1.4m), while property income declined to £714,000 (£1.03m). Voluntary severance payments were down to £574,000 (£1.89m) and there was no accelerated depreciation provision (£440,000).

The full effect of the reductions in income from Shell will be felt from 1989, when it is estimated that MSC's annual return therefrom will be about £2.5m less that in 1987.

The need for substantial savings in labour and other costs, coupled with modern working practices, was essential if the port business was to stay sufficiently in profit.

A number of property schemes were expected to be under way this year, and the Moor Tip should be income generating from the autumn. The result of the planning application for the Trafford Centre will probably not be known until well into next year.

Mowlem to sell Buehler stake

By Ray Bashford

JOHN MOWLEM, the international construction group, has found a buyer for its 76 per cent stake in Buehler International of the US for $48.6m (£28.9m) to a company partly controlled by members of the present management.

Mowlem directors said that the sale of the holding in the Illinois-based producer and supplier of laboratory supplies would allow it to develop core operations.

The company is receiving $12.50 a share and the purchaser, BIX Acquisitions, will offer the same price to minority shareholders.

A 90-day option has also been granted to Mowlem for the purchase of three Buehler subsidiaries for $10m.

Buehler announced last September that it was seeking purchasers for the company after Mowlem expressed an interest in disposing of its holding. Sir Philip Beck, Mowlem chairman, said last February that he had decided against the sale because the subsidiary's performance had improved and not because of the October share crash.

Mowlem directors yesterday said that they believed that the offer price represented "an attractive premium".

Buehler returned a turnover of $67.3m and pre-tax profits of $6.2m during the year to December 31. The company's net tangible assets at March 31 were $53m.

Arley in £9.4m buy and returns to the black

By Andrew Hill

Arley Holdings, the manufacturer and importer of photographic equipment, is to buy Cine Screens and Nasa Marine for a total of about £9.44m in cash and shares, thereby continuing its expansion programme under Mr John Ferguson, the chairman.

The company also reveals a return to interim profits and the payment of a 1.1p dividend, the first for some years. Andsays it is hoping to recommend a final of at least 2.2p.

Arley, formerly called Photax (London), reported pre-tax profits of £318,000 in the six months to June 30, compared with losses of £54,000 in the equivalent period and with £402,000 for the whole of 1987.

The acquisitions – the largest since Mr Ferguson took over in March 1987 – will be partially funded by a 9-for-10 rights issue raising £4.77m before expenses.

Cine Screens is a manufacturer of cinema and projection screens, and theatre accessories. Arley is to buy the company – which owns freehold properties in Hertfordshire, Bedfordshire and Norfolk – for £7.94m in cash. In the 10 months to May 31, Cine Screens made £601,000 profit before tax on turnover of £2.55m, and had net assets of £4.8m.

Arley will also buy the outstanding two thirds of Nasa Marine, manufacturer and distributor of marine electronic navigational aids, for £1.5m in cash and shares. Arley bought a 33 per cent stake in the company in April.

Some 4.34m new ordinary shares will be issued at 110p each, against yesterday's unchanged closing price of 143p.

Evered buy redresses balance

By Andrew Hill

EVERED HOLDINGS, industrial and building products company, is to offset the US slant of its quarry interests with the purchase of Pocklington Blocks and its subsidiary Precast Concrete Industries, manufacturers of concrete building blocks and pre-stressed concrete flooring.

Evered, which is headed by the Abdullah brothers, is to pay a total of £8.25m in cash for the companies, which are based in Yorkshire and Humberside.

Ten days ago, the group bought Fidler, a US quarry products company, for $39.5m (£23m), tipping the balance of its quarry interests towards the US. Evered said then that it was looking to redress the situation with a small purchase in the UK.

In March, Evered negotiated an unusual £50m asset swap with Raine Industries, the housebuilder, gaining Raine's quarry and building products interests. It followed this up in May, with the purchase of a 6 per cent stake in Breedon, the UK limestone quarry operator.

Third Spanish buy for Armstrong Equipment

By Vanessa Houlder

ARMSTRONG EQUIPMENT, UK-based automotive, suspension and industrial fastenings group, has expanded further in Spain with the acquisition, announced yesterday, of Estampaciones Noroeste, an automotive components company.

Estampaciones, which makes metal tube and pressed products, mainly for the Spanish automotive industry, will be Armstrong Equipment's third Spanish business.

Jamesons lower

Jamesons Chocolates reports a drop from £170,000 to £95,000 in pre-tax profit for the first half of 1988, but is holding the interim dividend at 2p.

Difficulties in export markets and the ferry dispute cut the trading profit to £39,000 (£61,000), and investment income fell to £58,000 (£110,000). Earnings were down to 2.4p (4.4p).

McKay Securities up

RESULTS FROM McKay Securities, property investor and developer, were well up to expectations in the year ended March 31 1988.

Pre-tax profits rose from £2.44m to £2.96m and, with earnings at 9.6p (8.3p), the dividend is stepped up to 4.8p (4.2p) with a final of 2.5p.

Income from investment properties increased to £4.23m (£3.97m), while net interest payable was reduced to £617,000 (£746,000). Below the line there was an extraordinary credit of £460,000 (£493,000).

Shareholders' funds rose by nearly £10m to £59m over the year. At March 31 investment properties were valued by the directors, and showed a £9m surplus over book value. Net asset value per share came to 220p (184p).

Wm Jackson ahead

William Jackson & Son, Hull-based baker, meat product maker and food market operator, lifted pre-tax profits 45 per cent from £3.06m to £4.46m, for the year to April 23.

Turnover improved from £161.56m to £163.17m. After tax of £1.67m (£1.21m) earnings worked through at 125p (82.5p). There were extraordinary credits of £1.21m (£445,000).

Spong £79,000 in red six months

Spong Holdings, which is being restructured, had met difficulties this year but had laid the foundations for the strong organic growth expected.

In the half year ended April 30 1988 the company incurred a pre-tax loss of £79,000 (profit £131,000) from sales of £9.79m (£8.18m).

ChemEx rights

ChemEx International, yesterday announced a £1.1m rights issue to finance new moves into the US environmental services market. The issue involves 2.68m shares issued at 40p per share on a one for one basis.

Fairway profits fall to £0.29m first half

FAIRWAY (LONDON), the supplier of business and computer stationery to City institutions which came to the USM last November, announced lower pre-tax profits of £285,000 for the six months to June 30 against £358,000 previously.

An interim dividend of 1p is declared. Earnings per 5p share worked through at 2.24p (3.63p) after tax of £108,000 (£140,000).

The company had continued to be affected by market conditions prevalent in the City financial sector, directors said.

Turnover for the period fell by £64,000 to £2.57m, although market share increased.

Fairway has been vigorously pursuing other client areas, and the chairman said he was confident of the future as turnover was now more broadly based.

The directors intend to continue their policy of organic growth through recruiting experienced sales people and expanding the product range.

Lincoln House reduces loss to £439,000 midway

LINCOLN HOUSE, USM-quoted company created in May from the reconstruction of the ailing William Morris Fine Arts and the acquisition of Sherwood Furniture, reduced its pre-tax loss from £538,000 to £439,000 in the six months to June 30 1988. At the operating stage it made a profit of £45,000 compared with a loss of £276,000 in the same period of 1987.

Lincoln also announced yesterday the acquisition of Russell Tiles Group for £1.14m cash. The Midlands-based group supplies tiles and bathrooms to trade and retail customers. In the period to May 31 1988, on an annualised basis, it made £512,000 pre-tax on.

An exceptional debit of £306,000 in the results relates mainly to the wallcoverings business, which was rationalised in January and is expected to return to profit in the second half. Losses per 5p share came out at 0.72p (1.15p).

COMPANY NEWS IN BRIEF

ARROWCROFT GROUP and Lynton Property & Reversionary have, in a joint venture, purchased a 70,000 sq ft shopping centre in Nuneaton for a sum in the region of £8m.

BEAVERCO said shareholders had taken up 96 per cent of the recent open offer of 653,218 shares. That was the balance available to them after Mr John Lees had undertaken not to apply for 913,191 shares.

BRUNNING GROUP has won shareholders' approval for the acquisition of Macmillan Davies Group, and the subscription by Ketchum Communications. Provisional allotment letters for the rights issue have been sent out.

CSC INVESTMENT Trust: Net asset value 180.85p per share at June 30 compared with 231.9p a year earlier. Net revenue for the half year was £82,850 (£58,753) for earnings per share of 5.03p (3.57p). An interim dividend of 4.2p (4p) is declared.

GLOBAL GROUP has exchanged contracts to acquire Redlands Cold Storage for £1.15m cash. The acquisition will give Global its own cold storage facilities close to the M25.

MATTHEW HALL has paid £500,000 for a controlling 50.1 per cent interest in Minder Systems of New Zealand, and has an option to lift that to 77 per cent by the end of 1991. Minder specialises in the design and development of computer-based security systems and building controls.

HARRIS QUEENSWAY: offer from Lowndes Ventures has been accepted in respect of 195.29m shares (83 per cent) and remains open. Irrevocable acceptances had already been received for 40.2 per cent.

IFG SECURITIES: Clayhithe and Philip Darwin have reached agreement to subscribe I£650,000 (£542,570) for a minority interest. Mr Philip Darwin, Mr Edward Hallinan, Mr John Heywood and Mr John Jones will join the board of IFG.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Further surge by dollar

THE DOLLAR moved through DM1.90 in Europe around mid-afternoon, on news that the US Federal Reserve had increased its discount rate by ½ p.c. to 6½ p.c.

The currency rose quickly to DM1.9190 from about DM1.8950, but the market appeared to balk at the prospect of attacking strong resistance at DM1.92, against the background of fear about central bank intervention.

Trading had been very quiet during the morning, with dealers taking the view that a further rise in the value of the dollar was likely, but finding no excuse to challenge the central banks.

This created a situation where the market took profits, and the US currency fell back in Tokyo and in early European trading. But at the same time dealers were looking for a reason to push the dollar though the DM1.90 barrier, and found it in the discount rate rise.

The timing of the rate increase seemed particularly surprising after the Federal Reserve and West German Bundesbank had made a determined and successful attempted to push the dollar below DM1.90 on Monday.

By the close of trading in Europe there was no sign of further intervention by the central banks. In Frankfurt the Bundesbank did not intervene when the dollar was fixed at DM1.8955, compared with DM1.9010 on Monday.

It was the first change in the US discount rate for nearly a year, and was made for the same reason that the Bank of England forced a rise in UK bank base rates on Monday.

Growth in the US and UK is among the strongest in the industrialised world, and the authorities in both countries are worried about overheating. The Federal Reserve said the decision reflects its intent to reduce inflationary pressures.

Recent US economic news, including last Friday's employment data, had raised expectations of tighter US monetary policy, but in general dealers were surprised that the Fed acted immediately before this week's Treasury refunding auctions. Onthe other band, a move immediately after the auctions would have left the US authorities open to criticism.

The dollar closed at its highest level against the D-Mark since January 1987, rising to DM1.9160 from DM1.9020. It also climbed to Y134.70 from Y133.75; to SFr1.6020 from SFr1.5900; and to FFr6.4575 from FFr6.4125.

On Bank of England figures, the dollar's index rose to 100.2 from 99.6.

Attention had tended to switch towards sterling, during the European morning, as the pound benefitted from the rise in bank base rates. But in the afternoon sterling came under rather more downward pressure than most European currencies, from the surge in the value of the dollar. Speculative money attracted to London by the interest rate differential once again saw attractions in the dollar.

£ IN NEW YORK

Aug.9	Latest	Previous Close
£ Spot	1.7050-1.7060	1.7005-1.7115
1 month	0.40-0.39pm	0.39-0.37pm
3 months	1.12-1.09pm	1.05-1.01pm
12 months	3.34-3.24pm	3.35-3.28pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Aug.9	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.6913	+2.90	+1.09	±1.5344
Danish Krone	7.85212	7.95538	+1.32	-0.49	±1.5404
German D-Mark	2.05853	2.08701	+1.38	-0.43	±1.0981
French Franc	6.90403	7.03928	+1.96	+0.15	±1.3674
Dutch Guilder	2.31943	2.35578	+1.57	-0.24	±1.5012
Irish Punt	0.768411	0.775198	+0.88	-0.93	±1.6684
Italian Lira	1483.58	1539.66	+3.78	+2.65	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Aug.9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6820-1.7080	1.6870-1.6880	0.40-0.37cpm	2.74	1.11-1.06pm	2.57
Canada	2.0450-2.0680	2.0480-2.0490	0.26-0.16cpm	1.23	0.68-0.56pm	1.21
Netherlands	3.64-3.65¾	3.64¼-3.65¼	1⅞-1½cpm	5.55	5¼-4¾pm	5.55
Belgium	67.56-67.85	67.60-67.70	30-18cpm	4.26	74-60pm	3.96
Denmark	12.25¾-12.36	12.31¾-12.32¾	3⅛-2¼orepm	2.62	8¼-7¾pm	2.54
Ireland	1.1975-1.2050	1.1995-1.2005	0.39-0.34ppm	3.65	1.16-0.96pm	3.53
W. Germany	3.22¾-3.23¾	3.23-3.23½	1¾-1½pfpm	5.80	4¾-4½pm	5.80
Portugal	257.80-262.10	257.80-258.80	28-73cdis	-2.35	90-195dis	-2.21
Spain	211.15-212.20	211.15-211.45	18-parcpm	-0.51	39-18pm	-0.54
Italy	2380½-2388½	2384¼-2385¼	2-parlirepm	0.50	3-parpm	0.25
Norway	11.65¾-11.73¾	11.69-11.70	1¼-2¾oredis	-2.12	6¼-6¾dis	-2.22
France	10.88-10.92	10.89¼-10.90¼	3⅜-3¼cpm	3.72	10-9½pm	3.58
Sweden	10.99¾-11.07¾	11.02¼-11.03¼	⅝-⅛orepm	0.41	1¼-1pm	0.50
Japan	226¾-228½	226¾-227¼	1⅜-1¼ypm	6.60	3¾-3½pm	6.27
Austria	22.60-22.76	22.70-22.73	11⅝-10⅞gropm	5.81	33½-30½pm	5.61
Switzerland	2.69¼-2.70¼	2.69¾-2.70¼	1⅞-1½cpm	7.49	5-4½pm	6.94

Belgian rate is convertible francs. Financial franc 68.40-68.50. Six-month forward dollar 1.95-1.90cpm 12 months 3.33-3.23cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Aug.9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6820-1.7080	1.6870-1.6880	0.40-0.37cpm	2.74	1.11-1.06pm	2.57
Ireland†	1.4020-1.4225	1.4030-1.4040	0.12-0.17cdis	-1.23	0.40-0.50dis	-1.27
Canada	1.2085-1.2165	1.2150-1.2160	0.14-0.17cdis	-1.53	0.40-0.43dis	-1.37
Netherlands	2.1380-2.1670	2.1610-2.1620	0.52-0.50cpm	2.86	1.63-1.60pm	3.02
Belgium	39.60-40.20	40.05-40.15	6.50-4.50cpm	1.66	16.00-12.00pm	1.41
Denmark	7.21½-7.30½	7.30-7.30½	0.20d-0.20orpm	-	0.45dis-0.10pm	-0.10
W. Germany	1.8925-1.9190	1.9155-1.9165	0.51-0.48pfpm	3.13	1.57-1.52pm	3.26
Portugal	153½-155	154¼-155	55-75cdis	-5.08	155-210dis	-4.75
Spain	124.05-125.55	125.40-125.50	18-28cdis	-2.22	58-68dis	-2.03
Italy	1397-1414	1413-1413½	1.90-2.60liredis	-1.93	8.00-9.00dis	-2.43

FINANCIAL FUTURES

Fed move may avoid censure

US TREASURY bond futures weakened on the news that the Federal Reserve had increased its discount rate.

There was some surprise at the timing of the move, ahead of yesterday's auction of three-year Treasury notes, and today's auction of ten-year paper.

The move has removed uncertainty in the market however, and is likely to be the last rise in the discount rate ahead of November's presidential election.

It is seen as clearing the decks, thus getting the bad news out of the way, and should increase confidence in the independence of the Federal Reserve and its determination to fight inflation. To this extent it may boost confidence in the US, and could even encourage bidding at this week's auctions.

Traders tended to dismiss suggestions that the rise in the discount rate was an indication that the next set of US trade figures will be bad.

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS : 54,721

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	11	City Merchants Bank	11	NatWestminster	11
Adam & Company	11	Clydesdale Bank	11	Northern Bank Ltd	10½
AAB - Allied Arab Bk	11	Comm. Bk. N. East	11	Norwich Gen. Trust	11
Allied Irish Bank	10½	Co-operative Bank	*11	PRIVATbanken Limited	11
Henry Ansbacher	11	Coutts & Co	11	Provincial Bank PLC	11½
ANZ Banking Group	11	Cyprus Popular Bk	11	R. Raphael & Sons	11
Associates Cap Corp	10	Dunbar Bank PLC	11	Roxburghe G'rantee	11½
Authority Bank	11	Duncan Lawrie	11	Royal Bk of Scotland	11
B & C Merchant Bank	11	Equatorial Bank plc	11	Royal Trust Bank	11
Banco de Bilbao	11	Exeter Trust Ltd	11½	Smith & Willmcn Secs.	11
Bank Hapoalim	11	Financial & Gen. Sec	10½	Standard Chartered	11
Bank Leumi (UK)	10½	First National Bank Plc	11½	TSB	11
Bank Credit & Comm	11	● Robert Fleming & Co.	11	UDT Mortgage Exp	‡11.45
Bank of Cyprus	11	Robert Fraser & Ptnrs.	12	United Bk of Kuwait	11
Bank of Ireland	11	Girobank	11	United Mizrahi Bank	10½
Bank of India	11	Grindlays Bank	11	Unity Trust Bank Plc	11
Bank of Scotland	11	● Guinness Mahon	11	Western Trust	10½
Banque Belge Ltd	11	HFC Bank plc	11	Westpac Bank Corp.	11
Barclays Bank	11	● Hambros Bank	11	Whiteaway Laidlaw	11½
Benchmark Bank PLC	11	Heritable & Gen Inv Bk	11	Yorkshire Bank	11
Berliner Bank AG	11	● Hill Samuel	§11		
Brit. Bk of Mid East	11	C. Hoare & Co.	11		
● Brown Shipley	11	Hongkong & Shangh	11		
Business Mtge Tst	11	● Leopold Joseph & Sons	11		
CL Bank Nederland	11	Lloyds Bank	11		
Central Capital	11	Meghraj Bank Ltd	11		
● Charterhouse Bank	11	Midland Bank	11		
Citibank NA	11	Mount Bnkg Corp.	11		
		Nat Bk. of Kuwait	11		

● Members of British Merchant Banking & Securities Houses Association. * 7 day deposits 4.38% Savewise 7.16%. Top Tier-£10,000+ instant access 9.0% ‡ Mortgage base rate. § Demand deposit 6%. Mortgage 10.875% - 11.25%

MONEY MARKETS

Timing surprises

THERE WAS a further surprise for financial markets yesterday, as the US Federal Reserve increased its discount rate by ½ p.c. to 6½ p.c This followed the unexpected rise in UK bank base rates engineered by the Bank of England on Monday.

A discount rate rise has been widely forecast, but the Fed was not expected to act yesterday.

Treasury bills rates rose in New York and interest rates moved higher in London, on the news from Washington. Three-month sterling interbank was 11⅛-10⅞ p.c. during the morning in London, but rose to 11¼-11⅛ p.c. in the afternoon, compared with 11⅛-11 p.c. on Monday.

UK clearing bank base lending rate 11 per cent from August 8

The Bank of England forecast a money market shortage of £250m, but revised this to £300m in the afternoon. Total help of £320m was provided.

The authorities did not operate in the market during the morning, and in the afternoon bought £105m bank bills in band 1 at 10⅞ p.c. The Bank of England also gave late assistance of around £215m.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £367m. This outweighed Exchequer transactions adding £40m to liquidity, a fall in the note circulation adding £65m, and bank balances above target of £35m.

In Frankfurt the Bundesbank left its securities repurchase agreement rate at 4.25 p.c., when offering liquidity to the market through a tender for a 28-day pact.

Dealers were mainly concerned at the size of allocation at the tender, which will be made known today. An expiring agreement drains DM18.8bn from the market today, and money is also leaving the banking system because of recent Bundesbank support for the D-Mark on the foreign exchanges.

The market is looking for the central bank to add between DM20bn and DM23bn to liquidity at the tender.

Dealers believe the Bundesbank may lean on the side of generosity with its allocation, to prevent banks using the Lombard emergency financing facility, currently at 5 p.c. Call money is hovering only just below this level, and a shortage of funds forced banks to draw DM200m in Lombard funds on Monday.

This is rare so early in the month. Under normal conditions banks would only resort to Lombard borrowing towards the end of the month, in order to meet minimum reserve requirements.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

International Trusts					
Amer Spec Sits	5 63.07	63.07	67.16	-0.49	1.47
European Growth	5 17.91	17.91xd	19.07	-0.02	1.31
International	5 93.93	93.93xd	100.0	-0.3	0.99
Japan	5 143.1	143.1	152.4	-0.2	0.01
Pacific	5 230.4	230.4xd	245.3	-0.8	0.19
Secs of America	5 183.1	183.1	195.0	-1.8	1.04
W'wide Asset Val	5 27.63	27.63	29.42	-0.09	1.02
Specialist Trusts					
Asset Value	5 323.7	326.7	347.9	-1.9	2.86
Conv & Gilt	5 38.69	39.23xd	41.77	-0.14	5.15
Smaller Co's	5 172.3	172.3xd	183.4	-1.3	2.20
2nd Smaller Co's	5 197.8	197.8	210.6	-0.2	1.87
Recovery	5 101.7	101.7	108.3	-0.8	2.88
Met Mir & C'dty	5 109.7	109.7	116.8	-0.4	1.42
O'seas Earnings	5 210.9	210.9	224.6	-1.9	3.12
Technology	5 88.71	88.71	94.47	-0.55	1.37
UK Special Sits	5 267.9	267.9	285.3	-1.7	2.53

Bishopsgate Progressive Mgmt Co (1200)F
15 St James' Place, London SW1A 1NW 01-493 8111

Progressive Inc	5 £15.74	£16.04	16.93	+0.07	2.64
Progressive Acc	5 £22.09	£22.51	23.76	+0.10	2.64
International Inc	5 £16.18	£16.18xd	17.08	—	1.69
International Acc	5 £20.38	£20.38	21.51	—	1.52
Can & Foreign Inc	5 192.8	192.8	203.5	—	2.34
Can & Foreign Acc	5 214.9	214.9	226.8	—	2.34
Special Sits Inc	5 165.5	168.3	177.6	—	1.93
Special Sits Acc	5 165.5	168.3	177.6	—	1.93

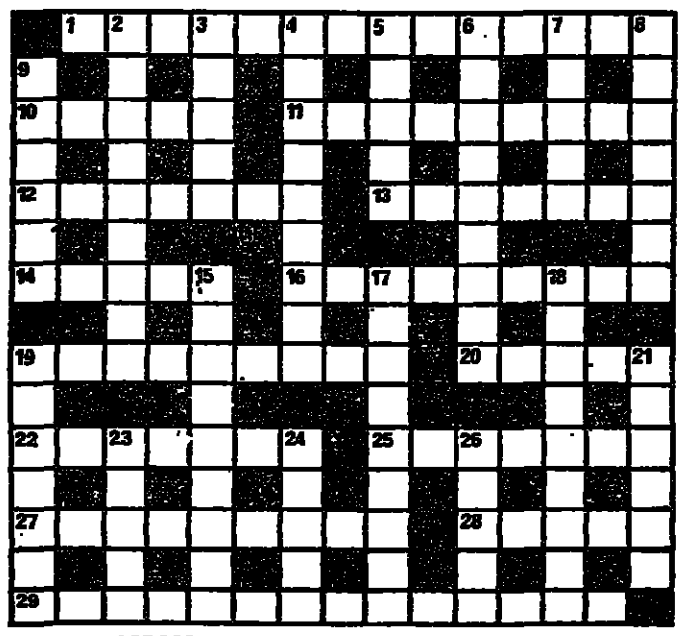
Brewin Dolphin Unit Tst Mgrs Ltd (0905)F
5 Giltspur St, London EC1A 9DE 01-248 4400

Brewin Capital	5½ 184.5	193.4xd	205.7	.....	1.52
Brewin Dividend	5½ 96.60	101.1xd	107.5	.....	5.81
Brewin Int Gth Inc	5½ 210.6	220.6xd	234.6	.....	3.49

JOTTER PAD

CROSSWORD

No. 6,704 Set by DINMUTZ



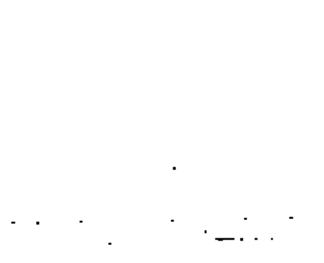
ACROSS

1 Do its sufferers find their stairs too tricky (14)
10 Cheers for Mr Otis's inventions (5)
11 Some have this thrust upon them in the sergeants' mess (9)
12 They help us see around Aintree... (7)
13 ....or see around Carlisle, for example (7)
14 Skip the sauce (5)
16 By the way, they indicate our limits (4,5)
19 The right amount? (9)
20 This poet slaved endlessly in retirement (5)
22 Wellington, for example, got okra to come back (7)
25 Cross-beam, sort of square, takes a huge amount of money (7)
27 Mulish beast? Not I, it turns out (9)
28 Instrument to exclude little woman (5)
29 Unsettling? (14)

DOWN

2 Security device for Peter workin' in office (6-3)
3 Where to eat in W. Germany (5)
4 Bracket without Hinge, say (5-4)
5 March trade upset (5)
6 Turned up like tailored English trousers (9)
7 Motif of the Mendelssohn opening (5)
8 Principal tenders for hospital work (7)
9 Clergymen of the Magic Circle? (6)
15 Transported over window, we hear, being predatory (9)
17 Lively quality of beer, right with head on it (9)
18 Sliding scale for trombonists? (9)
19 Sort of black gown-top ironed out (7)
21 Boy's double percussion instrument (3-3)
23 Amatory ailment introduced by Orsino (5)
24 Following Test opening, there is bad weather (5)
26 Range of morning piece (5)

Solution to Puzzle No.6,703



Do (Accum)	5 703.91	703.91	748.84	-1.34	4.48
Intl Technology	5 184.10	184.10	195.85	-1.83	0.33
Do (Accum)	5 193.56	193.56	205.91	-1.94	0.33
Japan Growth	5 103.74	103.74	110.17	-0.36	0.01
Do (Accum)	5 104.11	104.11	110.55	-0.37	0.01
Master Trust	5 41.02	41.02	43.60	-0.55	1.35
Do (Accum)	5 41.78	41.78	44.41	-0.56	1.35
N American & Gen	5 108.41	108.41xd	115.32	-3.70	1.39
Do (Accum)	5 120.07	120.07xd	127.73	-4.08	1.39
N Am Sm Cos & Rec	5 56.40	56.40	60.00	-0.32	0.01
Do (Accum)	5 56.40	56.40	60.00	-0.32	0.01
Pacific Basin	5 159.90	159.90	170.10	-1.58	0.01
Do (Accum)	5 167.57	167.57	178.26	-1.66	0.01
Small Cos & Recy	5 291.29	291.29	309.88	-7.04	1.94
Do (Accum)	5 335.42	335.42	356.82	-8.12	1.94
UK Growth	5 59.02	59.02xd	62.78	-0.17	2.27
Do (Accum)	5 60.90	60.90xd	64.78	-0.17	2.27
Worldwide Gwth	5 194.06	194.06	206.44	-1.86	0.61
Do (Accum)	5 275.77	275.77	293.37	-2.64	0.61

American Growth	5¼ 88.56	88.56	94.32	-1.03	1.64
US Smaller Co's	5¼ 60.13	60.13xd	63.89	+0.24	0.00
(Accum Units)	5¼ 60.77	60.77	64.57	+0.24	0.00
Australian Growth	5¼ 47.12	47.12	50.06	-0.06	1.98
Drayton Japan	5¼ 50.26	50.26	52.90	+0.39	0.00
Europe Perf	5¼ 66.93	66.93	71.12	-0.35	0.80
(Accum Units)	5¼ 67.11	67.11	71.31	-0.36	0.80
Euro Smaller Cos	5¼ 11.71	11.71	12.44	-0.09	1.43
Far East	5¼ 68.60	69.19	73.52	-0.3	0.00
French Growth	5¼ 35.18	35.18	37.37	+0.03	0.40
Accum Units	5¼ 35.40	35.40	37.61	+0.03	0.39
Hong Kong	5¼ 22.89	22.89	24.32	-0.3	1.58
Intl Growth	5¼ 38.28	38.28	40.68	-0.25	1.62
Intl Recovery	5¼ 112.4	112.4	119.4	-0.8	0.67
Japan Perf	5¼ 98.70	100.3	106.6	-0.7	0.00
Accum Units	5¼ 98.70	100.3	106.6	-0.7	0.00
Japan Smaller Cos	5¼ 23.27	23.73	25.22	-0.13	0.00
Singapore ASEAN	5¼ 32.90	33.23xd	35.30	-0.2	0.57
Accum Units	5¼ 32.92	33.24	35.32	-0.2	0.57

GUIDE TO UNIT TRUST PRICING

The data included under the Authorised section of the FT Unit Trust Information pages is being expanded to improve the service to readers and to conform with new legislation.

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that prices are set on a historic basis. This means that, unless there has been an intervening portfolio revaluation, investors can normally buy and sell units today at the prices appearing in the newspaper which have been set on the basis of yesterday's asset value.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB Unit Trusts (y) (1000)F						
Charlton Pl, Andover, Hants. SP10 1RE						0264 63434
TSB American	5	99.44	99.44	105.66	-1.18	1.88
Do Accum	5	106.85	106.85	113.53	-1.27	1.88
TSB Brit Growth	5	56.03	56.03	59.61	-0.32	2.94
Do Accum	5	57.85	57.85	61.54	-0.32	2.94
TSB European	5	49.16	49.16	52.46	-0.26	1.23
Do Accum	5	50.51	50.51	53.90	-0.25	1.23
TSB Extra Income	5	151.64	152.62	162.31	+1.00	5.56
Do Accum	5	190.85	192.07	204.28	+1.26	5.56
TSB Smaller Cos	5	57.30	57.30	61.17	-0.11	1.12
Do Accum	5	58.08	58.08	61.79	-0.12	1.12
TSB General	5	180.24	180.81	192.30	-0.91	3.14
Do Accum	5	311.92	312.98	332.80	-1.58	3.14
TSB Gilt & Fxd Int	3½	47.43	47.43	49.05	-0.07	8.80
Do Accum	3½	71.61	71.61	74.06	-0.10	8.80
TSB Income	5	267.39	268.60	285.69	-1.32	4.60
Do Accum	5	446.95	448.93	477.55	-2.22	4.60
TSB Pacific	5	212.43	213.46	227.09	-2.02	0.31
Do Accum	5	220.86	221.94	236.11	-2.09	0.31
TSB International	5	326.92	328.02	348.96	-2.84	0.94
Do Accum	5	411.34	412.62	438.96	-3.56	0.94
TSB Nat Resources	5	64.01	64.01	68.10	-0.48	1.36
Do Accum	5	67.28	67.28	71.57	-0.40	1.36
TSB Spcl Opps	5	83.54	83.54	88.87	-0.29	2.25
Do Accum	5	94.16	94.16	100.17	-0.30	2.25
3i Unit Trust Managers Ltd (1000)F						
31 Harvey Rd, Solihull, B91 3QA						01-928 3356
Small Co's	5	50.74	50.74	53.55	-0.24	0.00
Target Trust Mngrs Ltd (1600)H						
Target Hse, Gatehouse Rd, Aylesbury, Bucks.						
Admin: 0296 394000						Dealing: 01-379 0060
American Eagle	5	64.04	64.04	68.60	-0.57	0.06
Australia	5	8.295	8.295	8.780	-0.080	0.20
Commodity	5	83.11	83.11	89.39	-0.13	0.55
Convertible	5	148.8	148.8	160.3	-0.3	4.77
Equity	5	151.0	151.0	162.3	+0.6	3.22
Euro Spec Sits	5	78.83	78.83	84.91	-0.29	1.60
Financial	5	32.07	32.56	35.07	-0.17	1.94

	Bid Price	Offer Price	+ or -	Yield Gross
MIM Ltd				
Mngd Pens (Acc)	55.6	59.3	+0.3	0.80
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Aug 10	40.3	41.9	+0.2	2.16
Euro Expt Aug 10	39.7	41.6	+0.3	2.23
Fixed Int Ex Aug 10	48.7	51.1	+0.3	9.49
Japan Expt Aug 10	53.5	55.7	-0.4	0.57
Managed Ex Aug 4	40.2	41.8	+0.0	4.23
SE Asia Expt Aug 10	40.1	42.1	+0.5	2.07
Sm Cos Expt Aug 10	45.0	47.6	+0.4	2.53
UK Eqty Ex Aug 10	37.2	38.9	+0.2	3.78
New Court Property Fund Managers				
NC Property	189.5	199.5	—	—
Phillips & Drew Fnd Management Ltd				
PDFM Small Co Fd	812.0	862.0	—	3.90
Do Accum	838.0	890.0	—	3.90
PDFM Int Expt Aug 4	125.8	127.8	—	2.70
J. Rothschild Fund Managers Ltd				
Intl Exempt	93.19	94.40	—	3.00

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
AA Friendly Society				
(Investment Mngt. M & G Inv Mngt Ltd)				
AA Friendly Sy July 8	—	141.4	—	—
Abbey Life Assurance Co Ltd				
80 Holdenhurst Road, Bournemouth				0202 292373
Prop. Ser. 1	251.2	264.5	+0.2	—
Equity Ser. 1	117.8	124.0	-0.5	—

OTHER UK UNIT TRUSTS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

	Bid Price	Offer Price	+ or −	Yield Gross
Phoenix Assurance Co Ltd				
Phoenix House, Redcliff Hill, Bristol 0272 294941				
Life Assurance Funds				
Wealth Assd	395.2	416.1	....	–
Eb'r Ph Eq.	347.0	369.3	....	–
Pension Plan Funds				
Phoenix				
UK Equity Acc.	175.2	184.4	−0.9	–
International Acc.	143.3	150.8	+0.3	–
Property Acc.	142.2	149.6	+0.1	–
Fixed Interest Acc.	155.8	163.9	+1.9	–
Money Acc.	142.3	149.7	....	–
Bldg. Soc. Link Acc.	139.3	146.6	+0.1	–
Special Mnged Acc Q	155.8	164.0	+0.1	–
Phoenix/Framlington				
Intnl. Growth Acc.	91.40	96.20	−0.70	–
Am. Smllr. Cos. Acc.	88.70	93.30	−1.00	–
Capital Tst. Acc.	181.3	190.8	−0.2	–
Japan & Gen Acc.	198.8	209.2	−1.8	–
American Turn. Acc.	96.70	101.7	−1.3	–
Recovery Tst. Acc.	187.2	197.0	−1.0	–
Special Mngd Acc.	153.6	161.6	−0.7	–
Phoenix/GT				
International Acc.	136.8	143.9	−0.5	–
US & General Acc.	89.60	94.30	−1.20	–
Amer Spec Sits Acc.	67.80	71.30	−1.20	–
Japan & General Acc.	194.3	204.5	−0.3	–
Far East & Gen Acc.	145.9	153.5	−0.7	–
UK Capital Acc.	186.2	196.0	−1.5	–
European Acc.	144.1	151.6	−1.0	–
Special Mngd. Acc.	132.6	139.5	−0.8	–
Pioneer Mutual Insurance Co Ltd				
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655				
Managed Fund	269.7	283.9	....	–
Man Pens Inc & Cap Fds	345.7	363.9	....	–
Money Fund	113.4	119.4	....	–
Pens Mngd Fd (Init)	92.3	97.2	....	–
Pens Mngd Fd (Acc)	106.4	112.0	....	–
Pens FT30 Fd (Init)	129.5	136.4	....	–
Pens FT30 Fd (Acc)	149.2	157.1	....	–
Pens O'seas MgFd(Init)	61.4	64.7	....	–
Pens O'seas MgFd(Acc)	70.7	74.5	....	–
Pens Fxd Int Fd (Init)	107.5	113.2	....	–
Pens Fxd Int Fd (Acc)	123.8	130.4	....	–
Pens Deposit Fd (Init)	101.6	107.0	....	–
Pens Deposit Fd (Acc)	117.1	123.3	....	–
Premium Life Assurance Co Ltd				
37–39, Perrymount Road, Haywards Heath 0444 458721				
American	100.0	106.0	−1.0	–
Building Soc Fd	163.0	172.0	...	–
Balanced	248.0	262.0	...	–
Deposit	162.0	171.0	...	–
European	127.0	134.0	−1.0	–
GT Managed	155.0	164.0	−1.0	–
Gartmore Mngd	104.0	110.0	...	–
German	92.0	97.0	+1.0	–
Gilt	169.0	178.0	+1.0	–
High Inc	112.0	118.0	...	–
International Equity	158.0	167.0	...	–
Japan	221.0	233.0	−1.0	–
Managed	55.0	58.0	...	–
Property	262.0	276.0	...	–
R. W. Imperial Gold	130.0	137.0	...	–
UK Equity	332.0	350.0	−1.0	–
Pension Funds				
American	135.0	143.0	...	–
Building Soc. Fd.	154.0	163.0	...	–
Balanced	189.0	199.0	...	–
Deposit	152.0	160.0	...	–
European	124.0	131.0	...	–
GT Managed	165.0	174.0	...	–
Gartmore Mngd	100.0	106.0	...	–
German	88.0	93.0	...	–
Gilt	140.0	148.0	...	–
International Equity	119.0	126.0	...	–
Japan	130.0	137.0	...	–
Managed	56.0	59.0	...	–
Property	200.0	211.0	...	–
UK Equity	285.1	300.0	...	–
Prolific Life & Pensions Ltd (z)				
Stramongate, Kendall, Cumbria LA9 4BE 0539 33733				
Balanced Gwth Mngd	525.3	553.6	−0.9	–
Adventurous Mngd	100.9	106.4	−0.3	–
Secure Mngd	98.5	103.8	−0.2	–
Cash Fd.	218.7	230.5	+0.0	–
Property Fund	262.9	277.1	+0.0	–
Equity Fund	578.3	609.4	−2.9	–
Fxd Int. Fund	287.4	302.9	−0.2	–
International	259.5	273.5	−1.5	–
High Income	430.7	453.9	−2.1	–
Far East	394.3	415.5	−1.8	–
North American	221.8	233.8	−1.4	–
Special Sits	547.2	576.7	−2.6	–
Technology	228.2	240.5	−1.3	–
Extra Inc Fd	247.1	260.4	−1.6	–
Convertible & Gilt Fd	150.0	158.1	−0.3	–
American Income	109.1	115.0	−0.8	–
Gilt Fund 20	292.3	311.0	−4.1	–
European Fund	85.3	89.9	−0.4	–
Pref & Fixed Int.	96.1	101.3	+0.0	–
Balncd Gth Mgd Pens Acc.	489.9	515.7	−2.0	–
Adventurous Mgd Pens Acc.	101.2	106.6	−0.6	–
Secure Mngd Pens Acc.	99.1	104.4	−0.2	–
Building Soc. Acc.	220.0	231.6	+0.0	–
Property Pens. Acc.	263.1	277.0	+0.0	–
Fix. Int. Pens Acc.	351.1	369.6	−2.5	–
Equity Pens. Acc.	644.5	678.5	−2.5	–
International Pens Acc.	233.1	245.4	−1.5	–
High Inc Pens Acc.	430.7	453.4	−2.2	–

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

UK LISTED

[illegible]

OFFSHORE INSURANCES

[illegible]

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
99[illegible]	83[illegible]	Redemption 3pc 1986–96	99¼	......	3.02	7.90
100¼	99[illegible]	Treas. 9½pc '88	99[illegible]	......	9.53	10.82
102[illegible]	100[illegible]	Treas 11¼pc 1989	100[illegible]xd	+⅛	11.46	10.71
101[illegible]	99[illegible]	Treas 9½pc Cnv 1989	99[illegible]	+[illegible]	9.57	10.61
97[illegible]	95[illegible]	Treas 3pc 1989	96[illegible]	+[illegible]	3.10	7.55
102[illegible]	99[illegible]	Treas 10½pc 1989	100	......	10.51	10.62
102	99[illegible]	Exch. 10pc 1989	99½	......	10.06	10.61
103[illegible]	100[illegible]	Exch 11pc 1989	100[illegible]	+[illegible]	10.96	10.60
97[illegible]	95[illegible]	Treas 5pc 1986–89	95½	......	5.24	9.06
104[illegible]	100	Exch 10¼pcCv '89	100[illegible]	+[illegible]	10.23	10.03
107½	103	Treas 13pc 1990‡‡	103[illegible]	+[illegible]	12.56	10.23
104½	100[illegible]	Exch 11pc 1990‡‡	101[illegible]xd	+[illegible]	10.88	10.19
107[illegible]	102¼	Exch. 12½pc 1990	103⅛	+[illegible]	12.13	10.37
93¾	91[illegible]	Treas. 3pc 1990	91[illegible]	......	3.28	8.30
99⅞	97[illegible]	Treas 8¼pc 1987–90‡‡	97[illegible]	......	8.48	9.90
102⅛	97⅛	Treas. 8pc Cv 1990 ‡‡	98[illegible]	......	8.16	9.15
103[illegible]	98[illegible]	Treas. 10pcCv 1990	99[illegible]	+[illegible]	10.05	10.24
91[illegible]	88[illegible]	Exch 2½pc 1990	88[illegible]	......	2.81	7.88
107¼	102⅝	Treas 11¾pc 1991	103⅛	+[illegible]	11.40	10.27
95[illegible]	91[illegible]	Funding 5¾pc '87–91‡‡	91[illegible]	......	6.25	9.24
90[illegible]	87[illegible]	Treas. 3pc 1991	87[illegible]	......	3.41	7.96
105[illegible]	99[illegible]	Treas 10pc Cv '91 ‡‡	100[illegible]	......	9.94	9.75
107[illegible]	101[illegible]	Exch. 11pc 1991	102[illegible]	+[illegible]	10.78	10.21
98[illegible]	93[illegible]	Treas. 8pc 1991	94[illegible]	+[illegible]	8.51	10.15
113[illegible]	107	Treas 12¾pc 1992‡‡	107½	+[illegible]	11.88	10.16
104[illegible]	99⅛	Treas 10pc 1992	99[illegible]xd	+[illegible]	10.03	10.11
98[illegible]	93[illegible]	Treas. 8pc 1992 ‡‡	93¾	+[illegible]	8.55	10.10
106⅛	100½	Treas 10½pc Cv 1992‡‡	101¼	+[illegible]	10.39	10.12
86[illegible]	83[illegible]	Treas. 3pc 1992	84[illegible]	......	3.57	7.89
112[illegible]	106[illegible]	Exch. 12¼pc '92	106[illegible]xd	+[illegible]	11.49	10.21
117[illegible]	110[illegible]	Exch 13½pc 1992	110[illegible]	+[illegible]	12.20	10.22
97[illegible]	92[illegible]	Treas 8¼pc 1993	93[illegible]xd	+¼	8.85	10.13
105[illegible]	99⅛	Treas 10pc 1993‡‡	100[illegible]	+¼	10.03	10.07
115[illegible]	108⅝	Treas 12½pc 1993‡‡	109½	+[illegible]	11.46	10.09

Five to Fifteen Years

1988 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
93[illegible]	89½	Funding 6pc 1993‡‡	89½xd	......	6.70	8.57
121[illegible]	114	Treas 13¾pc 1993‡‡	114[illegible]	+[illegible]	12.03	10.36

BRITISH FUNDS—Contd

Undated

1988 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
44[illegible]	41[illegible]	Consols 4pc	43¾	......	9.14	–
39[illegible]	37[illegible]	War Loan 3½pc‡‡	39	......	8.97	–
52[illegible]	48[illegible]	Conv. 3½pc '61 Aft	52[illegible]	–⅛	6.67	–
33[illegible]	30[illegible]	Treas. 3pc '66 Aft	32[illegible]	+[illegible]	9.18	–
28[illegible]	26⅛	Consols 2½pc	27⅝	+[illegible]	9.05	–
28[illegible]	26⅛	Treas. 2½pc	27⅝	+[illegible]	9.05	–

Index-Linked

1988 High	Low	Stock (b)	Price £	+ or –	(1)	(2)
121[illegible]	117½	Treas 2pc IL '90(84.6)	121⅛	+[illegible]	0.96	2.72
103[illegible]	99[illegible]	Do. 2pc '92‡‡(97.8)	102½	–[illegible]	2.30	3.02
96[illegible]	94[illegible]	Do. 2 '94 (102.9)	94[illegible]	–[illegible]	2.82	3.27
139[illegible]	127⅛	Do. 2pc '96(67.9)	138½	–[illegible]	3.01	3.34
114[illegible]	103⅝	Do 2½pc '01(78.3)	113[illegible]	–[illegible]	3.68	3.92
111[illegible]	101⅝	Do. 2½pc '03(78.8)	110[illegible]	–[illegible]	3.74	3.95
113[illegible]	102½	Do. 2pc '06(69.5)	112[illegible]	–[illegible]	3.76	3.93
105[illegible]	95[illegible]	Do. 2½pc '09(78.8)	105[illegible]	–½	3.78	3.94
109[illegible]	99[illegible]	Do. 2½pc '11(74.6)	109[illegible]xd	–½	3.77	3.93
91[illegible]	82[illegible]	Do. 2½pc '13(89.2)	90[illegible]xd	–[illegible]	3.74	3.88
98[illegible]	88[illegible]	Do. 2½pc '16(81.6)	98[illegible]	–[illegible]	3.70	3.84
96[illegible]	87[illegible]	Do. 2½pc '20(83.0)	95[illegible]	–[illegible]	3.66	3.79
81¼	73	Do. 2½pc '24‡‡(97.7)	80[illegible]	–[illegible]	3.64	3.75

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for November 1987:103.4 and for June 1988:106.6

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

Over Fifteen Years

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Contd

1988 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
28⅝	19½	Texaco $6.25	27⅞xd	−⅛	$3.00	—	6.4
60¼	43¼	Time Inc. $1	59½xd	−1⅛	$1.00	—	1.0
20⅝	15⅞	Transamerica $1	20⅛xd	−⅛	$1.84	—	5.4
For Transworld see TW Services							
20½	14½	TRINOVA Corp	15¼xd	−⅛	64c	—	2.4
19	15⅛	USX $1	17¼xd	−⅛	$1.20	—	4.0
23	17⅞	Utd. Technologies	22xd	−⅛	$1.60	—	4.3
33½	26¼	US West	33		$3.52	—	6.3
21¼	16⅞	Waste Management $1	21⅛xd	−⅛	48c	—	1.3
16⅞	12⅞	Whirlpool $1	15¼	−⅛	$1.10	—	4.2
32⅞	18¼	Woolworth $3½	29¼	−⅛	$1.64	—	3.3

CANADIANS

1988 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
309p	173p	ABM Gold Corp	230p	−7	—	—	—
32p	11p	Abbot Energy Corp	26p		—	—	—
14¼	990p	Amer. Barrick Res.	10⅞	−¼	—	—	—
10p	3½p	American Lightwave	5½p	−1	—	—	—
47p	16½p	Armeno	17p		—	—	—
76p	45p	Augmitto Expln.	52½p	−3½	—	—	—
13⅞	10⅝	Bk. Montreal	13¼xd		$2.00	—	7.1
697p	514p	Bk. Nova Scot.	693p		76c	—	5.3
18⅜	15¼	BCE	18⅛xd		$2.44	—	6.5
716p	591p	Bow Valley	660p	−9	40c	—	2.9
13⅝	10½	Brascan	13⅛		88c	—	3.3
[illegible]							

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LONDON SHARE SERVICE

LEISURE—Contd

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING—Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
60	33	Propeller 1p......y	53	-2	–	–	–	25.6
31	13	Publishing Hldgs. 5p. y	21	-1	–	–	–	12.6
237	150	Royal Sovereign 10p. y	237	+2	4.6	1.9	2.6	22.2
26	22½	Scott Pickford 10p...y	25½	......	3.1	0.7	16.2	13.2
115	68	Seacon Hldgs.......y	115	......	–	–	–	–
15½	13	Sonic Tape 2½p....y	14½	-½	♦	–	–	19.0
27	18	Stats Hldgs. 5p....y	23	......	–	–	–	♦
4½	3	Swanyard Studios 1p y	3¼	......	–	–	–	♦
298	200	Takare..............y	288	......	b1.0	8.1	0.5	29.6
70	41	Theme Holdings....y	67	+1	♦1.1	♦	2.2	♦
36	26	Tomorrows Leisure 20p y	30	......	–	–	–	♦
25	13½	Tullow Oil 10p.....y	18	-1	–	–	–	–
135	115	UPL Group 10p.....y	125	......	L2.41	4.3	2.6	17.0
182	120	Unit Group ....y	182	+2	5.0	♦	3.7	♦
125	85	Video Tape Rec 5p. y	120	-2	L2.3	2.3	2.6	17.3

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or -
Albany Inv 20p......y	71	......
Craig & Rose £1...y	700	......
Finlay Pkg. 5p....y	89	......
Holt (Jos) 25p.....y	£11⅝	......

IRISH

Stock	Price	+ or -
Nat. 9¾% 84/89...	£100¼	......
9pc Cap Ln. 1996..	£99½	......
Fin. 13% 97/02...	£119	......
Arnotts ....y	365	......
CPI Hldgs.........y	130	......
Carrol Inds.........y	150	......
Hall (R. & H.).......	155	+5
Heiton Hldgs........y	55	-1
Irish Ropes.........y	160	......
Unidare.............y	493	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

Stock	p
Allied-Lyons	35
Amstrad	16
BAT	36
BOC Grp	36
BSR	8
BTR	22
Barclays	35
Beecham	42
Blue Circle	38
Boots	19
Bowaters	35
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	21
Cadburys	32
Charter Cons.	50
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	85
GEC	13
Glaxo	85
Grand Met	45
GUS 'A'	95
Guardian	85
GKN	28
Hanson	12
Hawker Sidd	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen	25
Lex Service	35
Lloyds Bank	26
Lucas Inds	58
Marks & Spencer	17
Midland Bk	37
Morgan Grenfell	30
NEI	10
Nat West Bk	52
P & O Dfd	52
Plessey	16
Polly Peck	30
Racal Elect	32
RHM	50
Rank Org Ord	[illegible]
Reed Intl	[illegible]
STC	[illegible]
Sears	[illegible]
TI	[illegible]
TSB	9
Tesco	[illegible]
Thorn EMI	[illegible]
Trust Houses	[illegible]
T&N	17
Unilever	42
Vickers	[illegible]
Wellcome	45

Property

Stock	p
Brit Land	30
Land Securities	52
MEPC	52
Peachey	50

Oils

Stock	p
Brit. Gas	15
Brit Petroleum	24
Burmah Oil	50
Charterhall	3
LASMO	40
Premier	7½
Shell	55
Ultramar	26

Mines

Stock	p
Cons Gold	95
Lonrho	20
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Tuesday August 9 1988 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Mon Aug 8 Index No.	Fri Aug 5 Index No.	Thu Aug 4 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (209)	818.49	-1.0	9.92	3.89	12.51	15.94	826.39	826.38	823.47	949.92
2 Building Materials (29)	1034.64	-1.6	11.01	4.10	11.15	18.65	1051.15	1058.10	1047.22	1225.94
3 Contracting, Construction (37)	1620.35	-0.4	10.24	3.31	12.77	26.91	1626.89	1626.77	1616.03	1719.98
4 Electricals (12)	2214.74	-1.1	8.37	4.50	14.76	48.13	2240.27	2241.96	2238.17	2476.34
5 Electronics (31)	1780.20	-1.0	9.71	3.38	13.23	37.62	1798.32	1794.19	1790.77	2017.36
6 Mechanical Engineering (56)	432.63	-1.0	9.77	4.05	12.71	8.49	437.20	434.57	433.19	511.30
8 Metals and Metal Forming (7)	502.06	-0.5	9.35	3.79	13.28	7.95	504.80	505.44	506.25	541.89
9 Motors (14)	290.40	-1.5	11.26	4.46	10.28	5.54	294.82	293.68	291.30	388.85
10 Other Industrial Materials (23)	1337.66	-0.2	8.83	4.17	13.54	28.21	1340.50	1344.44	1350.59	1575.91
21 CONSUMER GROUP (186)	1108.63	-0.9	8.85	3.55	14.27	17.68	1118.61	1115.56	1112.37	1308.28
22 Brewers and Distillers (21)	1131.92	-0.7	10.32	3.60	12.22	17.80	1139.84	1119.75	1117.30	1170.16
25 Food Manufacturing (21)	1009.15	-0.4	8.55	3.61	14.95	17.45	1013.03	1010.28	1012.10	1019.66
26 Food Retailing (16)	1993.23	-1.0	8.68	3.34	15.20	29.87	2012.53	2011.53	2004.03	2446.97
27 Health and Household (12)	1861.06	-1.1	6.68	2.62	17.36	18.01	1881.64	1886.80	1883.57	2538.68
29 Leisure (30)	1387.10	-0.6	8.25	3.62	15.50	24.81	1395.36	1391.77	1387.12	1357.22
31 Packaging & Paper (17)	538.97	-0.2	9.13	3.78	14.05	9.64	540.00	537.93	535.91	668.31
32 Publishing & Printing (18)	3611.46	-1.0	7.91	4.23	15.87	72.37	3647.52	3638.80	3622.18	4356.40
34 Stores (34)	817.34	-1.5	10.17	3.99	12.93	14.57	829.62	831.47	827.20	1075.18
35 Textiles (17)	607.91	-1.0	11.38	4.48	10.31	12.51	614.11	615.35	608.44	806.75
40 OTHER GROUPS (93)	902.01	-0.9	11.03	4.37	11.08	17.93	909.89	911.88	911.00	1121.42
41 Agencies (19)	1105.91	-1.2	8.15	2.47	15.50	17.95	1119.23	1123.58	1121.29	1711.55
42 Chemicals (21)	1067.55	-1.0	11.93	4.75	10.06	25.01	1078.57	1085.48	1084.21	1433.31
43 Conglomerates (13)	1227.33	-0.8	10.40	4.40	11.10	20.98	1237.09	1243.92	1237.54	1451.28
45 Shipping and Transport (12)	1973.57	-0.8	10.90	4.53	12.15	34.04	1990.22	1987.88	1976.32	2283.36
47 Telephone Networks (2)	963.81	-0.6	11.53	4.62	11.26	20.38	970.09	972.17	973.74	1076.82
48 Miscellaneous (26)	1199.64	-1.0	11.37	4.30	10.05	24.64	1211.64	1205.67	1209.47	1595.15
49 INDUSTRIAL GROUP (488)	989.42	-0.9	9.73	3.86	12.79	17.77	998.43	997.77	995.24	1178.93
51 Oil & Gas (12)	1853.03	+0.4	10.76	5.75	11.94	58.45	1846.43	1852.87	1843.48	2277.86
59 500 SHARE INDEX (500)	1062.61	-0.7	9.87	4.13	12.66	20.55	1070.40	1070.31	1067.23	1272.22
61 FINANCIAL GROUP (122)	713.41	-0.7	-	4.85	-	17.45	718.34	717.55	714.02	888.37
62 Banks (8)	674.11	-0.9	21.24	6.48	6.31	24.36	679.93	676.53	667.64	804.93
65 Insurance (Life) (8)	1079.57	-0.3	-	4.65	-	24.97	1082.74	1083.61	1083.51	1082.86
66 Insurance (Composite) (7)	557.66	-0.7	-	5.30	-	13.82	561.39	562.89	561.71	614.83
67 Insurance (Brokers) (7)	993.45	-1.0	9.69	6.41	13.33	31.54	1003.89	998.16	988.74	1274.53
68 Merchant Banks (11)	361.19	-0.3	-	4.00	-	7.03	362.29	359.65	359.10	475.87
69 Property (51)	1244.63	-0.9	5.09	2.60	25.15	14.21	1255.59	1257.66	1257.71	1249.36
70 Other Financial (30)	384.45	-0.3	10.43	5.06	12.01	9.41	385.56	385.56	384.30	550.49
71 Investment Trusts (78)	924.68	-0.9	-	3.00	-	12.35	933.03	929.74	927.04	1120.75
81 Mining Finance (2)	521.84	-1.1	9.18	3.60	12.32	8.12	527.65	530.77	529.29	673.48
91 Overseas Traders (8)	1160.35	-1.1	9.93	4.82	11.83	29.22	1172.90	1173.50	1172.03	1161.90
99 ALL-SHARE INDEX (710)	971.38	-0.7	-	4.20	-	19.36	978.58	978.32	975.20	1153.15

	Index No.	Day's Change	Day's High	Day's Low	Aug 8	Aug 5	Aug 4	Aug 3	Aug 2	Year ago
FT-SE 100 SHARE INDEX ‡	1862.6	-13.4	1873.4	1859.9	1876.0	1875.9	1869.7	1865.1	1855.5	2275.4

FIXED INTEREST

PRICE INDICES	Tue Aug 9	Day's change %	Mon Aug 8	xd adj. today	xd adj. 1988 to date
British Government					
1 5 years	120.36	+0.13	120.20	-	7.00
2 5-15 years	136.58	+0.14	136.50	0.10	8.59
3 Over 15 years	148.84	+0.12	148.67	-	7.45
4 Irredeemables	167.72	+0.05	167.64	-	7.30
5 All stocks	134.20	+0.13	134.07	0.05	7.92
Index-Linked					
6 5 years	127.87	-0.13	128.03	-	1.12
7 Over 5 years	121.10	-0.41	121.60	-	2.13
8 All stocks	121.48	-0.38	121.95	-	2.04
9 Debentures & Loans	117.99	-0.13	118.15	-	6.61
10 Preference	92.27	+0.17	92.12	-	3.61

AVERAGE GROSS REDEMPTION YIELDS		Tue Aug 9	Mon Aug 8	Year ago (approx.)
British Government				
1 Low	5 years	9.62	9.66	9.01
2 Coupons	15 years	9.37	9.38	9.67
3	25 years	9.07	9.08	9.67
4 Medium	5 years	10.07	10.11	10.16
5 Coupons	15 years	9.59	9.60	9.93
6	25 years	9.29	9.31	9.78
7 High	5 years	10.17	10.21	10.24
8 Coupons	15 years	9.74	9.75	10.10
9	25 years	9.34	9.34	9.78
10 Irredeemables†		9.61	9.65	9.68
Index-Linked				
11 Inflation rate 5%	5yrs.	2.95	2.90	2.85
12 Inflation rate 5%	Over 5 yrs.	3.85	3.82	3.93
13 Inflation rate 10%	5 yrs.	1.95	1.89	2.68
14 Inflation rate 10%	Over 5 yrs.	3.68	3.65	3.90
15 Debs &	5 years	10.88	10.86	10.82
16 Loans	15 years	10.86	10.85	10.82
17	25 years	10.86	10.85	10.82
18 Preference†		9.77	9.79	10.58

‡Opening Index 1871.7; 10 am 1873.1; 11 am 1869.2; Noon 1872.1; 1 pm 1872.9; 2 pm 1872.9; 3 pm 1867.5; 3.30 pm 1867.3; 4 pm 1860.9

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	75	4	34
Corporations, Dominion and Foreign Bonds	4	23	25
Industrials	226	615	749
Financial and Properties	75	265	315
Oils	16	42	50
Plantations	1	1	11
Mines	45	54	93
Others	33	134	98
Totals	475	1,138	1,375

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1988 High	1988 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price £	+ or -
[illegible]							

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price p	+ or -
340	Nil	2/9	65pm	56pm	Booker	58pm	-1
190	Nil	-	13pm	9pm	Brunning Group 25p	18pm	
50	Nil	-	14½pm	8½pm	Bryant (Derek) Group 10p	14½pm	
180	Nil	16/9	12pm	8pm	‡Campbell & Armstrong 5p	13pm	+1
282	Nil	9/9	48pm	20pm	Evans Halshaw Hldgs.	48pm	+5
20	Nil	-	7pm	5pm	Goodman Group 5p	5pm	
685	Nil	8/9	145pm	135pm	Macallan-Glenlivet	145pm	
310	Nil	8/9	66pm	43pm	Northamber 5p	65pm	-1
45	Nil	-	31pm	28pm	Owners Abroad Group 3p	28pm	-1
2	Nil	-	4pm	1¼pm	*Peerless Res A 1p	3pm	
33	Nil	13/9	12pm	5pm	‡Wellman Motor 10p	7pm	

a Annualised dividend b Figures based on prospectus estimates d Dividend rate paid or payable on part of capital, cover based on dividend on full capital g Assumed dividend and yield s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". ‡ Introduction. § Placing price. †† Reintroduction. ‡ Issued in connection with reorganisation merger or takeover. ‡ Allotment price ‡ Unlisted securities market. ‡ Official London listing. □ Including warrants entitlement. ° Third Market.

TRADITIONAL OPTIONS

- First Dealings Aug 8
- Last Dealings Aug 19
- Last Declarations Nov 10
- For settlement Nov 21

For rate indications see end of London Share Service

Stocks favoured for the call included Scottish and Newcastle, Dunton Group, Pearson, Elswick, Eagle Trust, Rex Williams, Premier Consolidated, Hanson, Dee Corporation, Lloyds Bank, Amber Day, West Trust, Amstrad, Explaura and Cambium Venture. A Put was arranged in Brent Walker, while Sears were dealt in for the double.

LONDON TRADED OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
[illegible]							

مكتبة من الأصل

LONDON STOCK EXCHANGE

Equities turn down on US rate move

THE UK securities markets suffered a further surprise yesterday when the US Federal Reserve delivered its contribution to the global interest rate story by raising its discount rate half a point to 6½ per cent. Equities, rightly sensing that Wall Street would open lower, turned downwards as lines of international blue chips came on offer. British Government bonds ended with small losses, with traders keeping a close eye on US Federal bond prices.

London market analysts said the US discount rate rise was an unexpectedly strong statement of the Federal Reserve's anti-inflationary stance, and

Account Dealing Dates		
*First Dealings:		
Aug 1	Aug 15	Sep 5
Option Declarations:		
Aug 11	Sep 1	Sep 15
Last Dealings:		
Aug 12	Sep 2	Sep 16
Account Day:		
Aug 22	Sep 12	Sep 26

*New time dealings may take place from 9.00 am two business days earlier

feared that it might prove, "a hard knock for Wall Street".

"We knew US rates were moving higher, but we didn't expect the Federal Reserve to reach for the discount rate button yet", commented Mr John Whitehead at Robert Fleming Holdings.

Some analysts suggested that the Federal Reserve's move might have been prompted by this week's auctions of Federal stock, seeing a parallel with Monday's hike in UK base rates.

Equities, which had been on the downside in early trading as the market continued to absorb the latest increase in domestic interest rates, extended their losses as Wall Street came in with an early 30 point fall.

By the close, the FT-SE Index showed a loss of 13.4 points at 1862.6. Seaq volume, at a provisional 424.9m shares compared with Monday's actual 324.5m, reflected pressure on the big US-influenced stocks included in the Index.

However, the nervous reception for the US discount rate change did not check selective interest in the UK market's batch of special situations. There was hefty turnover in British Petroleum on the announcement that the voting power of the Kuwait Investment Office will be limited to 14.9 per cent, which was regarded as the best solution available to a situation which has troubled the market.

Mr Phillip Lambert of Kleinwort Benson said the firm would continue to recomment switching out of BP shares and into Shell and British Gas.

In the Gilt-edged market interest focussed on the Gilts Futures contract traded on the London International Financial Futures Exchange and on the US long-dated Federal bond. Long-dated Gilts never managed to advance in the wake of the US discount rate move, and slipped off at the close to show net falls of ¼. "The Fed's move was negative for us, but not crushingly so", commented Mr John Sheppard of Warburg Securities.

At the short end, where prices ended ⅛ off, interest focussed on when-issued trading in the £750m bonds due for auction today. Final quotations put the pre-auction bonds on a yield of around 10.14 per cent.

FINANCIAL TIMES STOCK INDICES

	Aug 8	Aug 8	Aug 5	Aug 4	Aug 3	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	88.31	88.23	88.35	88.37	87.88	88.26	91.43 (18/4)	86.97 (18/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.91	97.84	97.77	97.88	97.69	95.96	98.87 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1501.1	1514.7	1512.8	1508.6	1502.0	1772.6	1514.7 (8/8)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	195.0	198.9	200.4	199.1	197.8	444.4	312.5 (7/1)	195.0 (8/8)	734.7 (15/2/83)	43.5 (26/10/71)

	Aug 8	Aug 8	Aug 5	Aug 4	Aug 3	Year Ago
Ord. Dl. Yield	4.52	4.48	4.48	4.50	4.51	3.28
Earning Yld. %(full)	11.46	11.38	11.37	11.42	11.45	8.07
P/E Ratio (Net)( )	10.63	10.73	10.71	10.68	10.64	15.18
SEAQ Bargains (5pm)	25,442	28,351	25,828	25,115	23,513	3791.0
Equity Turnover (£m)	-	854.46	1200.04	1032.68	1037.74	1699.99
Equity Bargains	-	27,081	28,650	25,542	22,829	54,070
Shares Traded (ml)	-	394.5	355.8	408.7	352.0	617.6

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1512.3	1513.6	1508.8	1511.7	1512.1	1512.3	1506.6	1500.6

DAY'S HIGH 1514.2 DAY'S LOW 1499.5

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, ☆ Nil 10.53

● S.E. ACTIVITY

Indices	Aug 8	Aug 5
Gilt Edged Bargains	120.7	113.7
Equity Bargains	175.3	172.7
Equity Value	1727.09	2425.59
5—Day average		
Gilt Edged Bargains	114.9	112.4
Equity Bargains	164.9	166.1
Equity Value	2080.44	2076.99

● London Report and latest Share Index: Tel. 0898 123001

Diverse views on M and S

Marked differences of opinion between City analysts about trading prospects at Marks and Spencer (M&S) was a major feature in the market. As turnover reached 8.8m shares, M&S dropped 5 to 170p after Hoare Govett left a morning meeting with the company in a less than bullish mood. Although Hoare's analysts have not downgraded their forecast for M&S - something they are very keen to point out - their latest profits estimate of £540m for the year ending March 1989 is right at the bottom of the range, where, they insist, it will stay.

This contrasts with City opinion elsewhere. SBCI Savory Milln upgraded its forecast by £20m to £560m only last month. Mr Zak Keshavjee, senior analyst at Savory - who also met with M&S yesterday - thinks that Hoare has got the wrong end of the stick. Not only is he "happy" to stay with his revised figure of £560m, he believes that the M&S decision to keep its summer clothes range in the shops longer than is usual - ie into August - shows that the group does not have a stock problem and is confident about its trading performance. "We remain strong buyers of the stock," Mr Keshavjee confirmed.

KIO boosts BP

Both classes of BP shares moved higher after the "legally binding" undertakings by the Kuwait Investment Office (KIO) not to increase its near 22 per cent stake, to limit its voting power to 14.9 per cent and not to block any board changes.

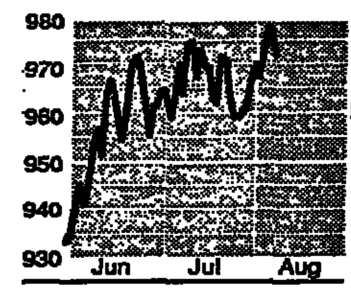
BP "old" shares quickly moved up to 262p before closing a net 3 higher at 260p after turnover of 8.1m while the partly-paid were finally a penny harder at 59p as turnover accelerated sharply to 27m.

The timing of the KIO move came as a surprise to the City which awaits the outcome of the Monopolies and Mergers Commission, expected on September 2.

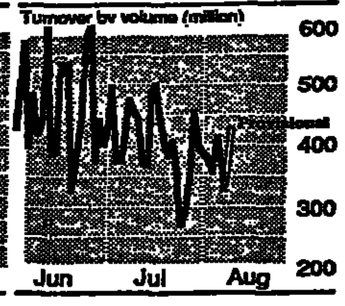
The move was viewed by marketmakers as bullish, being "a vote of confidence in the BP board and a move that diminishes the worry of a huge amount of stock overhanging the market" said one.

Analysts expect the Kuwait Investment Office to pay the second call of 105p a share on the partly-paid shares, which is due on August 30. BP's second-quarter figures are expected after midday on Thursday, with BZW, the securities house, forecasting net income of £340m.

FT-A All-Share Index



SEAQ Shares traded



Pilkington erratic

The move by the Office of Fair Trading (OFT) to investigate price-fixing cartels in the glass industry prompted a sharp fall in the shares of Pilkington in early trading. However, the shares rallied after City analysts took the view that the implications of the OFT inquiry may turn out to be relatively limited for the St Helens glassmaker. Down to around 210p at one stage, Pilkington rallied in heavy turnover of 6.4m shares to close 7 off on balance at 217p.

A number of market analysts believe that the OFT investigations will largely focus on value-added products such as laminated and tempered glass, where Pilkington's interest is small.

Pleasurama busy

The honours in the Leisure sector were again taken by Pleasurama as the market began to feel that the board could succeed at this Friday's meeting in persuading shareholders to approve the Hard Rock acquisition; there were whispers that some institutional holders might abstain.

Pleasurama shares rose to a year high point of 288p before easing with the surrounding dull trend to close 3 up on balance at 285p. Turnover amounted to 5.1m shares.

Mecca's share exchange bid for Pleasurama is conditional on the rejection of the Hard Rock acquisition and the accompanying £127m rights issue. Any potential counter bidder, and many white knights have been mentioned, will almost certainly await the outcome of Friday's crucial meeting.

Racal remained the focus of attention in electronics issues and dipped a further 3 to 325p on turnover of 5.2m shares. The recent persistent seller of the shares was said to have been back in the market, triggering a fresh round of stories that Cable & Wireless has been reducing its 2.8 per cent stake. C & W said they had "no comment to make on market rumours", the egm to enable Racal shareholders to vote on the proposed flotation of Racal Telecommunications is scheduled for next Tuesday.

C&W shares progressed early in the session and touched 386p before easing to close a net 2 firmer at 384p.

BAT Industries, slightly easier at 424p, were influenced more by the general tone of the market than Farmers' appeal against the Californian Superior Court ruling which overturned the Insurance Commissioner's rejection of its application to acquire the US group. However, trading interest in BAT was light, with only 464,000 shares changing hands.

Composite insurances gave ground with the exception of General Accident, a fraction harder at 935p after the recent spate of broken buy recommendations and ahead of today's interim figures. Royal Insurance dropped 3 at 400p with the market said to be unsettled by a large line of stock overhanging the market; Royals' interim figures are expected on Thursday week.

Among the Brewers and Hotel stocks Scottish & Newcastle dipped 5 to 332p as investors took profits after Elders IXL confirmed that it had increased its stake to 9.33 per cent. Thames Valley brewery Morland continued its recent advance, jumping 31 to 669p on favourable press comment and rumours that it will announce an important acquisition soon. Irish Distillers gained 2 at 274p as the GC&C consortium bidding for the spirits and wines group extended the deadline on its cash offer to August 19, while profit-taking dragged Grand Metropolitan down 5 to 517p.

Brent Walker remained under a cloud as the market waited some official riposte to a press article, published on Monday, which questioned the profit made from US sales of a TV drama series. The shares dropped 12 more yesterday for a two-day fall of 36 to 391p.

International stocks turned distinctly lower after the early sharp setback on Wall Street. Glaxo led the movement with a fall of 15 to 964p and ICI gave up 8 further at 1040p. BOC, due to unfold third-quarter figures today, joined in the retreat to close 5 down at 417p.

Yale and Valor moved back into the limelight with news of the acquisition of Rixson-Firemark for some $38.7m. The deal is to be financed from Yale's cash resources,but the share price tumbled 13 to 474p. Several sources believed that the move was not defensive and did not rule out a possible bid from either of its two stakeholders, Williams Holdings and Ingersoll Rand of the US.

Bowater, up 7 at 435p, provided one of the few bright spots as interest was enlivend by a buy recommendation from Prudential-Bache (PB), the securities house. PB's analysts are forecasting good organic growth from Bowater over the medium term and regard the recent purchase of Rexham as an excellent strategic acquisition. With a sound yield and earnings per share growth expected to be about 30 per cent above the aggregate, PB believe Bowater shares are poised for significant outperformance, in both the short and long-term.

Stylo jumped 30 to 330p on news that British Land had sold its 24.6 per cent in the footwear retailers to fellow property group Control Securities. Stylo has been regarded as a potential takeover target for some time, and dealers are not ruling out a bid from Control Securities. GUS was otherwise a dull stores sector after announcing that it will ask shareholders to give the company the option of buying-in 14.9 per cent of the non-voting "A" shares at a special meeting on September 2. Dealers regard the decision to bring forward the date of the egm as significant, and although one marketmaker described the move as bullish, GUS "A" eased 6 to 1039p.

The leading electronics issues were upset late in the day by the initial decline on Wall Street. Another substantial business (7m shares) was transacted in GEC which settled 1½ off at 163p; the lion's shares of the action took place in two separate trades of 3.1m at 162p and 2m at 163½p. Cash - rich GEC, dealers said, are a major beneficiary of rising interest rates.

Heywood Williams, also reflecting the OFT investigation into glass price-fixing, came under persistent selling pressure and reacted sharply to close 24 lower at 280p. Heywood is thought to be more exposed than Pilkington because of its sizeable glass and distribution interests.

Amersham, a strong market of late on takeover hopes, stood out with a fall of 29 to 607p. Dealers reported only sporadic investor interest and said most of the day's business took place between marketmakers.

Smith and Nephew, scheduled to reveal interim figures tomorrow, were a relatively active market (some 2.2m shares changed hands) and closed 4½ cheaper at 122p. CountyNatWest WoodMac is forecasting pre-tax profits for the half-year of £54.3m.

Cadbury Schweppes were the only feature among moribund Foods stocks as continued speculation about General Cinema's 18 per cent stake moved the shares up 5 to 390p after touching a high of 395p. Salomon Brothers reported that they had a large retail buyer in the morning, which probably accounted for about one fifth of the 5.5m shares that changed hands during the day.

At least one marketmaker thought the rumours were the product of "wishful thinking" on the part of some dealers, given that no one knows yet if General Cinema has sold part or all of its stake. Neither do they know, noted the marketmaker, when Grand Metropolitan - mentioned on Monday as potential bidders for Cadburys - will find a buyer for the Inter-Continental Hotels group and, therefore, release the funds for a possible full bid.

Evans Halshaw, the motor distributing group, continued the run initiated last week by a securities house buy recommendation to close a further 7 at 338p. Mr Keith Williams of BZW Research has upgraded his forecast of full-year profits from £8.23m to £10m, compared with last year's earnings of £6.41m, and concludes an extensive review with the comment that "the shares offer considerable upside potential once the rights issue has been digested by the market".

Armstrong Equipment also edged forward, helped by the purchase of Estampaciones Noroesta SA, a Spanish automotive component company, for £4m cash, but Kwik-Fit showed little response to a positive assessment by County NatWest WoodMac.

The BP/KIO news gave a momentary boost to other energy issues which subsequently suffered from the decline on Wall Street and the downturn in crude oil prices.

But British Gas moved against the overall trend, and edged up to close 1½ firmer at 184½p on turnover of 7.4m with American institutions said to be persistent buyers of the shares.

On a busy day in the Traded Options Market 42,412 contracts were traded, of which 27,057 were calls and 15,355 puts. In most demand were Cadbury Schweppes, with speculative activity in the underlying stock boosting volume to 4,152 calls and 334 puts. Also popular were BP, with 4,431 overall contracts, and Hanson Trust with 4,290 calls and puts.

Other statistics, P 35

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

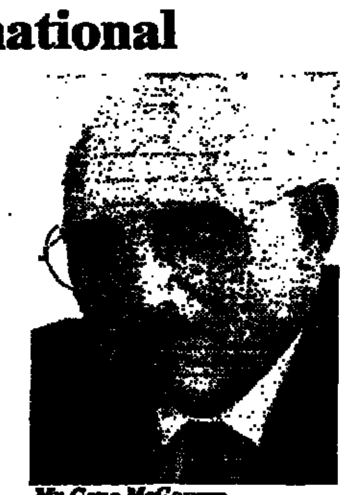
NEW HIGHS AND LOWS FOR 1988

[illegible]

APPOINTMENTS

Managing director of Bovis International

■ Mr Gene McGovern, co-founder of the US construction management company Lehrer McGovern Bovis Inc., has been appointed managing director of BOVIS INTERNATIONAL. He will be based at the company's headquarters in Chiswick, West London, and will remain co-chairman of Lehrer McGovern Bovis. Mr Charles Chevasco has been appointed deputy managing director of Bovis International, with special responsibility for contracting activities in Europe.



Mr Gene McGovern

■ GOLDMAN SACHS INTERNATIONAL CORPORATION has appointed Mr Alastair Pugh as a consultant with the investment banking team covering the transport industry. He was executive vice chairman and director of strategy of the British Caledonian Group until its sale to British Airways.

■ Mr Derek Allan has been appointed managing director of BUPA INTERNATIONAL. He was group marketing director.

■ Mr W.M. McGregor, company secretary, has been appointed financial director of BRUNTONS (MUSSELBURGH), a Carclo Group company.

■ AAF, Cramlington, Northumberland, has appointed Mr Ian Carter, building services marketing division director, as deputy managing director.

■ THE KINGSPAN GROUP has appointed Mr Matt B. Craig as managing director of Kingspan Building Products, Dudley.

■ Mr Arthur Rowley, managing director of DRON & DICKSON, has been appointed chairman. He succeeds Mr Norman Dron, who has resigned but has become a consultant. Mr Charles Smith has been appointed a director and company secretary.

■ Mr Robert B. Black, general manager of COMBINED CAPITAL, Glasgow, has been appointed an executive director.

■ INSTINET CORPORATION has appointed Mr Richard J.H. Moore as director in charge of trading at Instinet UK. He was executive director responsible for UK equity market-making at Shearson Lehman Securities. Instinet is a US-based subsidiary of Reuters, and last month added UK equities to its US service.

■ GLOBAL CLEANING CONTRACTS GROUP has appointed Mr Geoff Young as a group director and chief executive officer of the commercial cleaning division. Mr Joe Rabbatt becomes financial director. Mr Harry Brogden, a group director, has been appointed chief executive officer of The Maids, also franchise operation.

■ Mr J.B. Westwood has been appointed sales and marketing director of SSP PUMPS, an Alfa Laval group company. He was product director. He succeeds Mr M.A. Verhoeven who has left to become managing director of a company outside the group. Mr R.F. Beales has become general sales manager.

■ PRIVATE LABEL MORTGAGE SERVICES, recently acquired by Abaco Investments, has appointed Mr Charles Wishart, Abaco managing director, to the board as a non-executive director, and Mr Godfrey Blight, previously sales manager, as sales director.

Ms Shirley Henderson (above) has been appointed marketing director of NEILL TOOLS, Sheffield. She joins the board after four years with the company, which manufactures hand and garden tools under the brand names Eclipse, Bri-tool, Elliot Lucas, Moore & Wright, and Spear and Jackson.

■ DONAGHADEE, Manchester, a division of the Coats Viyella Carpet Group, has appointed Mr Derek Crawley as sales director.

■ Mr Terry Hutchinson has been appointed financial director of J. SAVILLE GORDON GROUP, Birmingham.

EC to tackle beef mountain

By Tim Dickson in Brussels

THE EUROPEAN Commission is expected over the next few months to step up its so far unsuccessful efforts to make a serious dent in the Community's 770,000 tonne beef mountain.

Officials in Brussels indicated yesterday that tomorrow's meeting of the weekly management committee may formally decide on the terms for the first tranche of a 200,000 tonne sale to the Soviet Union, linked to Moscow's purchase last month of 200,000 tonnes of EC butter.

Details of the beef deal have not been formally confirmed by the Commission but it is now widely known that the butter was only made available on condition that the Russians also took the meat.

The Brussels authorities last week published an open tender for a list of Eastern bloc countries which also includes Bulgaria, Czechoslovakia, Hungary, Poland, Romania and Yugoslavia. Tomorrow's meeting will consider whether the prices offered by potential purchasers are sufficiently attractive.

Whatever the outcome, the Community badly needs to reduce its supply of unwanted beef, which dipped to around 650,000 tonnes early last year on the back of major sales to Brazil and the Soviet Union but which in the absence of significant customers on the world market is now back to late 1986 levels. With only very modest changes made in this year's price package to the guaranteed intervention system for beef it is generally accepted that there will have to be much more radical overhaul of the sector later in the year to impose the sort of "stabiliser" disciplines starting to have an impact in other regimes.

Reducing the EC's heavy stocks via third country sales should have a positive effect on internal EC market prices and better enable member states to swallow what Brussels sees as the growing urgency for reform.

A further reason for wanting quick sales lies in the fact that stock disposals actually incur a budgetarycost for the EC, which has to write off the difference between the price paid to producers and the proceeds from disposals. The Commission is keen to use the resources set aside in the 1988 budget for this purpose.

On top of this the EC is understood to be anxious to improve its negotiating position with the US by getting rid of its hormone-implanted beef stocks by the year end. A one-year truce allowing US imports to bypass the Community's controversial hormones ban comes to an end in December.

Australian wine exports soar 118%

By Chris Sherwell in Sydney

AUSTRALIAN WINE exports soared 118 per cent in value and 83 per cent in volume in the financial year which ended in June, continuing the extraordinary trend of expansion which began in 1986-87.

Figures from the Australian Bureau of Statistics showed exports in 1987-88 valued at A$97m (£45m), up from A$44.6m the previous year. The total is almost five times the level recorded 24 months earlier.

In terms of volume, exports in 1987-88 reached 39m litres, up from 21.3m litres a year earlier and close to four times the level recorded at the end of 1985-86.

The figures substantiate what many wine lovers in the West have appreciated for some time: that Australian wines have reached a quality, consistency and price which, coupled with successful marketing, has given them a secure niche in the world's biggest markets.

Figures from the Australian Wine and Brandy Producers' Association show that the principal export destination in the year to June was Sweden, with 8.67m litres (22 per cent of Australia's total sales), followed by Britain with 7.48m litres (19 per cent).

Behind these countries came the US, Canada, New Zealand and, interestingly, Japan, which is regarded as a potentially large future market as the prosperous Japanese people adopt more Western eating and drinking habits.

For all this, exports remain at under 12 per cent of total Australian wine production. And as the latter has changed little over the past three years, increasing slowly from 325m to 331m litres, Australian consumption of domestically produced wine appears to be on the wane.

A breakdown of the latest statistics daily shows sales in soft packs and bulk decreased. But against this, sales in glass containers of less than one litre actually increased. As an official of the Wine and Brandy Producers' Association put it yesterday, "Australians are drinking less but drinking better."

Wine nevertheless remains small beer when compared with Australia's major commodity exports. Wool accounts for around A$6bn a year, while coal accounts for around A$5bn. Australia is also a major exporter of gold, wheat and iron ore.

Sugar alcohol gives Brazil a headache

John Barham on growing opposition to an expensive alternative energy programme

BRAZIL'S FUEL alcohol programme is living through perhaps the most dangerous period in its 13-year history.

A growing band of academics, politicians and bureaucrats says the entire policy is a costly mistake that has lined the pockets of a lucky few and subsidises the tiny elite of Brazilians wealthy enough to run cars.

Its supporters are mainly a rival faction of academics, nationalists, bureaucrats and, of course, the alcohol producers themselves. They all insist that the alcohol policy, which has cost $7bn to set up, is a shining example of Brazilian inventiveness that has brought the country closer than ever before to self-sufficiency in energy.

Mr Werther Annichino, president of Copersucar, the powerful Sao Paulo sugar and alcohol producer's co-operative, said: "The purpose of the alcohol programme is eminently strategic – there never was an idea of competing with petrol."

Brazil has planted 16,600 square miles of land – an area the size of Denmark – with sugar-cane to supply fuel alcohol for cars.

A grand strategy it may be, but the fact remains that the policy is staggering under the weight of its fundamental inefficiency. Col Ozires Silva, the former president of Petrobras, the national oil monopoly, summed up the problem succinctly: "It is a proven fact that alcohol costs more to produce than petrol, but has to be sold for less than petrol."

Estimates vary, but a barrel of alcohol probably costs between $50 and $60 to produce – up to four times the cost of a barrel of oil. That is a heavy burden for a country as poor as Brazil.

By law, the price of alcohol is set at 31 per cent of the domestic petrol price, which is far above the world level. At present, Brazilians are paying $88 for a barrel of petrol. The higher petrol price subsidises the lower alcohol price.

However, no one is really suggesting that the programme be abandoned. Prof Roberto Eli Pelin, a Sao Paulo University energy economist, said: "The alcohol programme has grown so big and become so established that there is no question of abolishing it."

A visit to the Sao Martinho sugar mill and alcohol distillery in the interior of Sao Paulo state shows why the alcohol programme is here to stay. Sao Martinho, which is Brazil's second biggest distillery, churns out enough alcohol every 24 hours to fill the tanks of 40,000 cars.

Sugar-cane covers an area of 54 square miles around the mill. Its vast industrial plant is a model of efficient energy management: it generates its own electricity from sugar-cane bagasse (the waste product) and also uses bagasse as a cattle feed and fertiliser. The only unusable by product is the foul bar room stench of alcohol that hangs in the air for miles around the plant.

Sao Martinho also produces sugar, but officials say it is unlikely that a decline in alcohol consumption will lead to a corresponding increase in sugar output because it would push the sugar price down.

The operation has considerable political clout. It has 10,000 people on its payroll, making it the largest employer in the region. That translates into electoral power: an unbroken succession of company managers has served as Mayor of the nearby town of Pradopolis for the past 29 years.

But if no one is suggesting that the alcohol policy be reversed, there is a growing realisation that something has to be done about the way it is financed.

In June, the Government decided to give up subsidising the consumption of alcohol from the public coffers. It increased the price of alcohol from 65 per cent of the petrol price to 69 per cent. In theory, it is now the petrol consumer who is paying the alcohol subsidies, although Petrobras says it is still losing money on its alcohol business.

The rising price of alcohol has started a rush for petrol-powered cars, output of which is likely to quadruple this year. That suits Petrobras fine, because slowing petrol consumption has created a 100,000 barrels-a-year petrol surplus that the company exports at giveaway prices.

Before he was fired a month ago, Col Silva urged Brazilians to reconvert their cars to petrol. He was dismissed for openly disagreeing with government policy.

The alcohol producers revile Petrobras. Mr Annichino of the Copersucar co-operative said: "Petrobras has a great share in discrediting, in destabilising, the alcohol programme."

Yet, perversely, the more people buy petrol, the better it is for the the alcohol programme's finances. In Brasilia, the national capital, bureaucrats have decreed that alcohol output will increase 82 per cent to 20m litres a year by the turn of the century. That would require a correspondingly large increase in capital investments and area planted with sugar-cane.

Copersucar thinks it may have the answer to the alcohol problem. It has begun research into genetic engineering methods which it hopes will boost substantially the energy yield of sugar-cane – possibly to the point where it becomes economically viable.

Indonesian spice growing loses savour

John Murray Brown on a continuing production decline

INDONESIAN SPICE production, once the prize of colonial empires, is continuing its long term decline in spite of historically high price levels.

Pepper, the main Indonesian spice export, worth $150m in 1987, is now in its fifth year of high prices. Repeated supply shortfalls and growing consumer demand, partly resulting from health fads in countries like the US, have prompted the rise. The Food and Agricultural Organisation FAO has projected that pepper production will remain in deficit to 1995.

Indonesian producers have not been able to raise output to take advantage of the high prices, however. Indeed production of white pepper, the main product is actually projected to fall in 1988 by about 8 per cent, according to forecasts by the Jakarta-based International Pepper Community.

Nutmeg prices are also firming. This follows Indonesia's domestic supply problems following last year's long dry season and recent volcanic eruptions in the main growing area of Banda island. The trade Ministry expects exports this year to earn around $32m, the same as last year.

Indonesia accounts for about three quarters of the $70m-a-year world nutmeg trade, but its quality is not as high as produce from Grenada, the other major grower. There is a small number of buyers and consumer demand is fairly flat. Nutmeg is also prey to cheaper artificial substitutes.

The exception to the rising price trend is cloves. Here prices are already falling, because of rapid over-expansion, and there have been calls for Bulog, the state food logistics agency, to prop up the market. Falling returns, together with pressure from the health lobby on manufacturers of clove-flavoured cigarettes, where most output ends up, looks certain to persuade many smallholders to plant alternative crops.

For thousands of Indonesian smallholders spice production still offers a decent living. Mr Noersal, Director of Unipro, Indonesia's main pepper trading company, says farmers in Bangka today buy refrigerators even though the area has yet to be wired up. In Bali farmers set armed guards round their vanilla gardens to prevent theft of the highly valued vanilla orchid pods.

In 1987 the value of Indonesian spice exports increased by almost 16 per cent to about $240m but in volume terms shipments rose less than 2 per cent. Nutmeg and mace showed the strongest gains at over 60 per cent in value terms. Ironically a 35 per cent projected drop in Indonesian production this year is expected to raise 10 to 15 per cent, according to traders in Jakarta, without raising overall export figures.

Next month Aspin, the Indonesian nutmeg exporters association, is to auction this year's export offering, with bids expected from Catz and De Haan of the Netherlands, Comspice of New Jersey and Senghup of Singapore. Last year Catz was granted virtual monopoly of the trade, a decision now strongly criticised by trade officials.

The reasons for Indonesia's declining pepper production are hard to establish. Indonesian black pepper, most of which is produced in Lampung, South Sumatra, currently fetches around $1.60 a lb cif, and Muntok white from Bangka is sold at $4,500 a tonne cif. Spot prices in New York and London tend to be around 25 per cent higher. Moreover the prices paid to farmers are 62 per cent of the cif rate, according to a recent report by the Ministry of Trade.

For all that Indonesian producers are losing market share. Mr Noersal points out that Indonesian black pepper now accounts for about 30 per cent of the US market, down from 50 per cent two years ago. The US, which takes about 35 per cent of Indonesian black pepper, is now looking increasingly to Brazil and India, the world's largest producer, for supplies.

In both 1985 and 1986 falling production was due to a plant plague attack and heavy rains during the normally dry flowering season. The plague starts by attacking the flowers of young plants causing the trees to fail to bear fruit. Disease continues to be a factor in Lampung and Bangka has shortage of water – needed in processing the white pepper – and soil fertility problems.

The longer term outlook is also bleak. Many farmers are either coming off the land, due to population pressures, or going into alternative crops, like cocoa and palm oil, which require less tending and give a quicker return on investment. And in spite of the high prices there is little evidence of significant new plantings. In Kalimantan, where the Government has been encouraging new estates, much of the production slips across the border buoying up the balance of payments of neighbouring Malaysia.

The Indonesian smallholder is often accused of being insensitive to price signals. But according to the International Pepper Community's latest annual report, pepper prices in real terms are actually the same or even slightly less than 5 years ago.

Agreement close on diamond mine

INDONESIA IS close to agreeing terms with an Australian mining concern to develop the country's first diamond mine in South Kalimantan, with an initial investment of US$19m, writes John Murray Brown in Jakarta.

Acorn Securities, a Perth-based listed company, says it has agreed feasibility plans with the Government to develop a 15km alluvial deposit, using dredge and drag lines, which is expected to produce US$96m worth of high grade diamonds in the first five years.

Mr Bill Shaw, Acorn's chairman, says the company has already spent $8m drilling and bulk sampling around 9,000 cubic metres of so-called "pay gravels". He estimates that using the first dredge, the company can recover between 90,000 and 140,000 carats a year, at a rate of around 0.1 carat per cubic metre. The ultimate objective is to have three dredges, with total operating investment of close to $100m. Acorn has a 60 per cent stake in the project, P.T. Aneka Tambang, Indonesia's state owned mining company, holds 20 per cent; Keymead of the UK 15 per cent; and Dasen Resources of Canada 5 per cent. Acorn is currently discussing financing with other possible equity partners including Elders, the Australian group.

Zinc plant modernisation

By Robert Gibbens in Montreal

NORANDA IS spending C$120m (£58m) to modernise its 25-year-old electrolytic zinc refinery at Valleyfield, near Montreal, with capacity of 232,000 tonnes a year. It is also considering adding capacity if zinc markets remain strong.

"Every zinc plant is running flat out everywhere in the world and we are tight here," said Mr David Rodier, vice-president and general manager of the Valleyfield plant.

Although North American and European markets are relatively stable, Asian markets are growing at 8 per cent a year, he said. The Valleyfield refinery sends two-thirds of its output to the US.

WEEKLY METALS

All prices as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 2,035-2,080 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 5.80-5.95 (5.35-5.50).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, ingots 7.80-8.00 (same), sticks 7.80-8.00 (same).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 6.85-7.05 (6.80-7.00).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 315-325 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.40-3.50 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 9.65-9.80 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 49-57 (same).

VANADIUM: European free market, min. 98 per cent, V_2O_5, cif, 5.10-5.60 (4.90-5.30).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 14.75 (15.10).

WORLD COMMODITIES PRICES

LONDON MARKETS

Zinc prices fell sharply yesterday morning on hopes of progress in the Peruvian miners' strike, which has been largely responsible for the recent upsurge, but the fall was reversed in the afternoon. An inflation-linked government pay offer to state sector miners did not end the 3-week-old strike but the union reaction was not wholely discouraging and the three months price on the London Metal Exchange responded by falling nearly £20 to £727 a tonne. By the close, however, the price had rallied on short-covering to end the day little changed. Renewed dollar strength against the pound also played a part in zinc's rally but for gold this was a bearish factor. Coming on top of a wave of Middle East selling it sparked off a speculative retreat which left the London bullion market's closing price at a 6-month low.

SPOT MARKETS

Crude oil (per barrel FOB September)		+ or -
Dubai	$13.40-3.45y	-0.225
Brent Blend	$15.25-5.30y	-0.15
W.T.I. (1 pm est)	$15.70-5.75y	-0.07
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$173-175	-1
Gas Oil	$131-133	
Heavy Fuel Oil	$86-88	
Naphtha	$136-138	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♦	$426.75	-4.75
Silver (per troy oz)♦	658c	-22
Platinum (per troy oz)	$530.15	-8.35
Palladium (per troy oz)	$123.00	-0.25
Aluminium (free market)	$2735	+50
Copper (US Producer)	93¼-102c	+2
Lead (US Producer)	35c	
Nickel (free market)	650c	
Tin (European free market)	£4072.5	+5.0
Tin (Kuala Lumpur market)	19.24r	
Tin (New York)	341.5c	-1.0
Zinc (Euro. Prod. Price)	$1200	
Zinc (US Prime Western)	65½c	
Cattle (live weight)†	118.58p	-0.67*
Sheep (dead weight)†	183.49p	-19.9*
Pigs (live weight)†	82.28p	-1.79*
London daily sugar (raw)	$264.0x	-5.8
London daily sugar (white)	$282x	-2
Tate and Lyle export price	£265.0	-5.5
Barley (English feed)	£100.75	
Maize (US No. 3 yellow)	£144	
Wheat (US Dark Northern)	unq	
Rubber (spot)♥	72.25p	
Rubber (Sep)♥	75.25p	
Rubber (Oct)♥	75.50p	
Rubber (KL RSS No 1 Sep)	344m	
Coconut oil (Philippines)§	$600x	-10
Palm Oil (Malaysian)§	$425z	-27.5
Copra (Philippines)§	$400	
Soyabeans (US)	£231	-7
Cotton "A" index	59.15c	-0.15
Woolteps (64s Super)	625p	+2

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Sep. z-Oct. x-Jul/Aug. †-Aug/Sep. ‡-Sep/Oct. †Meat Commission average fatstock prices. * change from a week ago. ♦London physical market. §CIF Rotterdam. ♥Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Sep	975	984	985 970
Dec	947	956	960 944
Mar	941	948	950 938
May	951	956	955 946
Jul	966	973	967 957
Sep	980	991	985 981
Dec	1020	1025	1021 1017

Turnover: 2421 (5447) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for Aug 9: 1208.55 (1197.63); 10 day average for Aug 9: 1194.40 (1195.10).

COFFEE £/tonne

	Close	Previous	High/Low
Sep	1002	985	1002 980
Nov	1007	989	1012 995
Jan	1012	998	1015 1001
Mar	1021	1000	1020 1005
May	1030	1005	1025 1012
Jly	1032	1015	1019
Sep	1050	1030	

Turnover: 2285 (2298) lots of 5 tonnes. ICCO indicator prices (US cents per pound) for Aug 8: Comp. daily 104.26 (103.65); 15 day average 109.27 (109.66).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Oct	262.00	260.20	267.00 259.80
Dec	260.00	257.20	
Mar	247.80	248.40	253.00 247.80
May	241.60	242.00	245.20
Aug	239.00	238.00	235.00
Oct	232.00	236.00	
White	**Close**	**Previous**	**High/Low**
Oct	278.50	282.00	283.00 278.00
Dec	276.00	279.00	278.00
Mar	276.00	280.00	281.00 276.00
May	276.00	280.00	280.00 278.00
Aug	276.00	280.00	278.00
Oct	275.00	280.00	

Turnover: Raw 1916 (3282) lots of 50 tonnes. White 1036 (729). Paris- White (FFr per tonne): Oct 1725, Dec 1770, Mar 1770, May 1780, Aug 1785, Oct 1790

GAS OIL $/tonne

	Close	Previous	High/Low
Aug	131.75	133.00	133.00 131.50
Sep	133.25	134.25	133.25 133.00
Oct	134.75	135.75	136.25 134.75
Nov	136.50	137.25	137.75 136.25
Dec	137.00	138.50	138.50 137.25
Jan	136.50	137.50	137.50 137.25

Turnover 5859 (4764) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Sep	105.20	104.85	105.20
Nov	107.70	107.40	108.20 107.15
Jan	110.75	110.20	111.00 110.20
Mar	113.25	112.60	113.70 112.80
May	115.60	115.40	116.00 115.40
Barley	**Close**	**Previous**	**High/Low**
Sep	101.40	101.20	101.55 101.00
Nov	104.60	104.15	104.85 104.05
Jan	107.50	107.20	107.00 107.10
Mar	109.90	109.35	109.95 109.60
May	111.75	111.35	111.75 111.40

Turnover: Wheat 210 (115), Barley 311 (79). Turnover lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 500 tonne
Cash	2770-80	2675-85	2675	2750-5		
3 months	2700-30	2650-60			2710-30	7,245 lots
Aluminium, 99.5% purity ($ per tonne)						Ring turnover 19,350 tonne
Cash	1595-600	1537-40	1570/1565	1569-70		
3 months	1510-2	1457-60	1519/1472	1484-5	1518-9	47,169 lots
Copper, Grade A (£ per tonne)						Ring turnover 77,200 tonne
Cash	1244-5	1247-8	1250/1225	1228-9		
3 months	1245-9	1249-50	1249/1229	1234-5	1241-1.5	65,225 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1205-10	1210-5		1195-200		
3 months	1205-10	1210-5		1195-200		38 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	656-8	676-9		667-7		
3 months	670-3	690-3		682-2	675-80	506 lots
Lead (£ per tonne)						Ring turnover 3,175 tonne
Cash	346-8	343-5		343-5		
3 months	351-2	348-50	351/346	347-8	350-2	11,722 lots
Nickel ($ per tonne)						Ring turnover 2,384 tonne
Cash	14600-50	14450-550	14650/14500	14400-50		
3 months	13350-400	13400-500	13600/13300	13250-300	13350-400	5,365 lots
Zinc (£ per tonne)						Ring turnover 9,850 tonne
Cash	752-4	765-7	760/735	734.5-5.5		
3 months	745-7	746-8	747/727	727-8	740-5	22,770 lots

POTATOES £/tonne

	Close	Previous	High/Low
Nov	69.5	71.5	70.0 69.5
Feb	80.0	87.0	
Apr	101.2	103.5	102.8 101.0
May	112.0	114.5	

Turnover 223 (252) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Oct	170.80	176.50	172.80 170.00
Dec	175.60	176.00	177.00 173.00
Feb	178.50	180.00	179.00
Apr	180.50	180.00	179.00
Jun	170.00	178.00	

Turnover 281 (434) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Aug	1255	1253	1255 1240
Sep	1350	1348	1359 1340
Oct	1440	1440	1450 1438
Jan	1465	1450	1465 1450
Apr	1500	1505	1508 1500
BFI	1150	1192	

Turnover 293 (78)

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	425¼-426	252¾-253¼
Opening	423¾-431	252½-255
Morning fix	429.25	251.352
Afternoon fix	426.5	252.251
Day's high	431¼-431¾	
Day's low	425¼-424¾	
Coins	**$ price**	**£ equivalent**
Mapleleaf	438-443	260-263
Britannia	438-443	260-263
US Eagle	438-443	260-263
Angel	437-442	259-262
Krugerrand	414-455	245-248
New Sov.	100-101	59½-60½
Old Sov.	100-101½	59½-60½
Noble Plat	535.6-541.95	314.05-317.7

Silver fix	p/fine oz	US cts equiv
Spot	380.80	658.00
3 months	403.00	684.40
6 months	414.65	685.40
12 months	435.80	728.00

COTTON

Liverpool- Spot and shipment sales for the week ended August 5 amounted to 336 tonnes against 516 tonnes in the previous week. Trading was fair with operations occurring in Russian, West African and Chinese growths.

JUTE

C and I Dundee BTC $465, BWC $465, BTD $465, BWD $425; c and f Antwerp BTC $465, BWC $465, BWD $405, BTD $415.

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sept	Nov	Sept	Nov
2500	[illegible]	[illegible]	[illegible]	[illegible]
2600	[illegible]	187	[illegible]	120
2800	[illegible]	119	[illegible]	198
Aluminium (99.5%)	**Calls**		**Puts**	
2350	[illegible]	203	[illegible]	20
2500	[illegible]	116	[illegible]	111
2700	[illegible]	53	[illegible]	220
Copper (Grade A)	**Calls**		**Puts**	
2000	110	182	22	92
2100	66	113	61	141
2200	21	76	126	202

US MARKETS

The grains and soybean complex firmed in quiet trading as the markets anticipated the U.S.D.A.'s acreage/production report later this week, reports Drexel Burnham Lambert. Commercial buying towards the close extended earlier advances. Cattle futures were slightly lower as the markets consolidated, hogs eased in anticipation of larger runs, and bellies began to feel the effect of burdensome stocks. A combination of dollar strength and reports indicating a possible end to the strike in Peru led to trade and commission house selling in both the silver and copper which in turn touched off stops to drive prices lower before the markets closed with pared losses on late short-covering. Gold and platinum followed the same pattern. Energy futures were quiet, easing on profittaking following friday's rally, although chart support was noted. Coffee rallied with a combination of fund buying the September/December spread and trade and commission house outright buying.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low
Aug	427.4	430.4	429.6 427.0
Sep	[illegible]	[illegible]	[illegible]
Oct	432.1	435.1	434.5 432.0
Dec	437.0	440.2	439.5 437.0
Feb	442.0	445.2	444.5 442.0
Apr	446.6	449.6	449.0 447.7
Jun	451.5	454.5	451.5
Aug	456.5	459.5	[illegible]
Oct	461.5	464.5	462.5
Dec	467.0	470.2	468.5 464.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low
Oct	532.3	535.8	532.5
Jan	537.3	540.7	538.0
Apr	541.3	545.2	541.5
Jul	545.3	549.0	545.5
Oct	549.8	547.7	[illegible]

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low
Aug	659.5	667.5	659.0
Sep	662.0	671.5	676.0 660.0
Oct	665.4	677.0	[illegible]
Dec	671.5	681.3	681.0 671.0
Jan	675.2	685.1	[illegible]
Mar	683.0	693.0	[illegible]
May	691.1	702.9	[illegible]
Jul	698.2	[illegible]	[illegible]
Sep	706.6	718.7	[illegible]
Dec	718.8	730.7	[illegible]

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low
Aug	90.75	91.90	[illegible]
Sep	90.90	92.00	91.90 90.15
Oct	[illegible]	[illegible]	[illegible]
Dec	88.55	89.05	88.80 87.20
Jan	87.40	87.50	[illegible]
Mar	86.40	86.50	86.50 85.10
May	85.50	85.70	85.50 84.25
Jul	84.50	84.40	[illegible]
Sep	84.40	84.50	[illegible]
Dec	83.50	83.50	83.10

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low
Sep	15.70	15.87	15.78 15.66
Oct	15.95	16.06	15.98 15.89
Nov	16.15	16.17	16.09 15.97
Dec	16.22	16.42	16.25 16.15
Jan	16.25	16.45	16.30 16.21
Feb	16.30	16.45	16.30 16.25
Mar	16.32	16.51	16.30 16.25
Jun	16.37	16.54	16.40 16.35

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low
Sep	44.15	44.80	44.40 44.05
Oct	44.85	45.55	45.10 44.75
Nov	45.80	46.55	46.05 45.85
Dec	46.75	47.05	46.90 46.75
Jan	47.50	47.90	47.80 47.45
Feb	46.45	46.75	46.70 46.40
Mar	45.25	45.15	45.00 44.90
Apr	43.40	43.60	43.90 43.20
May	42.20	42.20	43.10 42.60

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low
Sep	1475	1515	1515 1475
Dec	1474	1504	1504 1475
Mar	1480	1505	1504 1477
May	1489	1516	1504 1485
Jul	1500	1525	1520 1496
Sep	1540	1565	1565 [illegible]
Dec	1550	1580	1580

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low
Sep	118.34	114.83	118.70 115.50
Dec	120.39	117.31	120.45 118.15
Mar	120.10	117.42	120.10 117.45
May	119.60	117.00	119.60 117.00
Jul	118.75	116.00	119.00 116.00
Sep	118.01	114.00	118.00 115.00
Dec	117.50	114.00	118.00 [illegible]

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low
Oct	11.69	11.67	11.70 11.38
Jan	11.25	11.35	11.50 11.25
Mar	10.90	11.05	11.10 10.81
May	10.60	10.73	10.75 10.52
Jul	10.25	10.37	10.53 10.25
Oct	10.15	10.13	10.18 10.00

COTTON 50,000; cents/lbs

	Close	Previous	High/Low
Oct	53.90	54.47	54.90 54.85
Dec	54.15	55.90	54.50 53.90
Mar	54.85	55.30	54.90 54.55
May	55.40	55.85	55.45 54.95
Jul	55.60	56.00	55.60 [illegible]
Oct	54.00	54.03	54.25 54.00
Dec	53.00	53.10	[illegible]

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low
Sep	193.95	192.45	197.95 193.60
Nov	182.70	184.30	186.00 182.00
Jan	174.70	176.60	178.70 174.50
Mar	173.00	174.15	173.00 172.00
May	172.10	173.15	[illegible]
Jul	170.10	171.15	[illegible]

INDICES

REUTERS (Base: September 18 1931 = 100)

Aug 9	Aug 5	mnth ago	yr ago
1882.2	1880.9	2010.4	1630.7

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	131.34	131.67	137.50	128.10
Futures	133.84	135.28	141.08	128.68

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low
Aug	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low
Aug	27.72	27.56	27.85 27.42
Sep	27.87	27.67	27.95 27.57
Oct	28.15	27.90	28.25 27.85
Dec	28.52	28.27	28.70 28.20
Jan	28.52	28.40	28.85 28.50
Mar	28.80	28.60	29.00 28.75
May	28.80	28.80	29.00 28.60
Jul	28.40	28.00	28.75 28.30

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low
Aug	267.0	258.7	267.0 261.5
Sep	263.5	259.0	263.5 [illegible]
Oct	256.5	251.7	256.5 [illegible]
Dec	256.5	252.0	257.0 252.0
Jan	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	247.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low
Sep	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low
Sep	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low
Aug	68.25	68.47	68.80 68.00
Oct	69.77	70.05	70.30 69.75
Dec	72.05	71.80	72.30 71.27
Feb	72.57	72.57	72.87 72.47
Apr	74.12	73.72	74.30 73.95
Jun	73.80	73.65	73.80 73.40
Aug	71.10	71.05	71.45 71.00
Sep	71.00	71.00	[illegible]

LIVE HOGS 30,000 lb; cents/lb

	Close	Previous	High/Low
Aug	45.45	45.82	45.75 45.12
Oct	39.90	39.72	40.35 39.55
Dec	44.20	42.42	42.90 42.30
Feb	44.70	44.85	44.50 44.05
Apr	43.70	44.00	44.15 43.70
Jun	48.45	48.80	48.10 48.45
Jul	47.70	48.00	48.00 47.70

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low
Aug	32.60	32.95	33.25 32.35
Feb	50.90	51.25	51.20 50.85
Mar	50.72	51.10	51.72 50.57
May	51.10	52.55	52.35 51.45
Jul	51.00	52.10	51.80 51.60
Aug	50.57	51.12	51.20 50.57

WORLD STOCK MARKETS

AUSTRIA — August 9 — Sch — + or –

[illegible]

BELGIUM/LUXEMBOURG — August 9 — Frs. — + or –

[illegible]

DENMARK — August 9 — Kr — + or –

[illegible]

FINLAND — August 9 — Mks — + or –

[illegible]

FRANCE — August 9 — Frs. — + or –

[illegible]

GERMANY — August 9 — Dm. — + or –

[illegible]

GERMANY (continued) — August 9 — Dm. — + or –

[illegible]

ITALY — August 9 — Lire — + or –

[illegible]

NETHERLANDS — August 9 — Fls. — + or –

[illegible]

NETHERLANDS (continued) — August 9 — Fls. — + or –

[illegible]

NORWAY — August 9 — Kroner — + or –

[illegible]

SPAIN — August 9 — Pts. % — + or –

[illegible]

SWEDEN — August 9 — Kronor — + or –

[illegible]

SWEDEN (continued) — August 9 — Kronor — + or –

[illegible]

SWITZERLAND — August 9 — Frs. — + or –

[illegible]

SOUTH AFRICA — August 9 — Rand — + or –

[illegible]

JAPAN — August 9 — Yen — + or –

[illegible]

AUSTRALIA — August 9 — Aust.$ — + or –

[illegible]

AUSTRALIA (continued) — August 9 — Aust.$ — + or –

[illegible]

HONG KONG — August 9 — H.K.$ — + or –

[illegible]

SINGAPORE — August 9 — S$ — + or –

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

2pm prices August 9

Quotations in cents unless marked $.

Sales	Stock	High	Low	Close	Chng
[illegible]					

1 – No voting rights or restricted voting rights.

OVER-THE-COUNTER

Nasdaq national market, 2pm prices August 9

Continued from page 37

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

TOKYO - Most Active Stocks

Tuesday 9 August 1988

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Kawasaki Steel	51.22m	757	-8	Tokyo Gas	[illegible]	[illegible]	[illegible]
NYK	[illegible]	[illegible]	[illegible]	Mitsubishi Heavy Ind	15.98m	950	-25
Ishikawajima-Harima Heavy	50.90m	1,180	-20	Keisei Electric Railway	14.50m	2,240	+120
Nippon Steel	34.22m	738	-14	Tokyo Land	11.88m	1,120	+30
Canon	27.31m	1,520	+130	Nisshin Steel	11.32m	1,080	+30

INDICES

NEW YORK DOW JONES

	Aug 9	Aug 8	Aug 5	Aug 4	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	2107.40	2119.13	2126.60	2134.07	[illegible]	[illegible]	2722.42	41.22
Home Bonds	88.84	88.77	88.86	88.64	[illegible]	[illegible]	[illegible]	[illegible]
Transport	879.03	881.27	885.30	887.84	[illegible]	[illegible]	[illegible]	12.32
Utilities	182.02	182.67	182.91	183.44	[illegible]	[illegible]	[illegible]	10.50

♦Day's High 2134.60 (2128.79) Low 2103.13 (2105.44)

STANDARD AND POOR'S	Aug 9	Aug 8	Aug 5	Aug 4	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite‡	269.98	271.15	271.95	272.98	[illegible]	[illegible]	[illegible]	4.40
Industrials	310.93	312.21	313.21	314.58	[illegible]	[illegible]	[illegible]	3.62
Financials	25.36	25.48	25.51	25.54	[illegible]	[illegible]	[illegible]	8.64
NYSE Composite	152.52	153.09	153.55	154.03	[illegible]	[illegible]	[illegible]	4.46
Amex Mkt. Value	304.23	304.95	305.33	306.34	[illegible]	[illegible]	[illegible]	29.31
NASDAQ OTC Comp	387.66	387.71	388.26	388.52	[illegible]	[illegible]	[illegible]	54.87

	Aug 5	Jul 29	Jul 22	year ago (approx.)
Dow Industrial Div. Yield	3.53	3.51	3.62	2.54

	Aug 3	Jul 27	Jul 20	year ago (approx.)
S & P Industrial div. yield	3.11	3.23	3.12	2.40
S & P P/E ratio	14.25	13.74	14.14	23.20

TRADING ACTIVITY † Volume Millions	Aug 8	Aug 5	Aug 4
New York	149.233	113.400	155.318
Amex	7.570	7.723	10.762
OTC	102.459	106.256	114.651

NEW YORK	Aug 8	Aug 5	Aug 4
Issues Traded	1,928	1,930	1,946
Rises	565	582	639
Falls	774	829	764
Unchanged	589	549	543
New Highs	18	10	30
New Lows	25	15	17

CANADA

TORONTO	Aug 8	Aug 5	Aug 4	Aug 3	1988 High	1988 Low
Metals & Minerals	2922.8	2910.3	2914.6	2951.5	3226.5 (5/7)	2238.7 (8/2)
Composite	3339.6	3345.4	3346.0	3354.0	3465.4 (5/7)	2977.9 (8/2)
MONTREAL Portfolio	1662.52	1662.63	1663.25	1666.35	1725.71 (5/7)	1305.06 (27/1)

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Sw Pub Sec	4,042,400	26⅝	– ⅛
Houston Inds	4,358,600	31⅝	—
Am Elect Power	3,453,800	27¼	– ⅛
Texas Utilities	3,189,500	29	—
Cox III Pb	3,056,000	23¼	– ⅛
Tyler	2,706,100	17¼	+ ⅛
Union Carbide	2,337,200	26⅛	—
Marcoo	1,346,800	72⅞	+ 4⅝
DPL Inc	1,323,600	26⅞	—
Exxon	1,295,700	46⅞	—

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 industrials plus 40 utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

	Aug. 9	Aug. 8	Aug. 5	Aug. 4	1988 High	1988 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1657.8	1644.0	1641.4	1631.8	1657.8 (9/8)	1170.7 (10/2)
All Mining (1/1/80)	847.8	838.5	838.2	833.4	847.8 (9/8)	532.4 (10/2)
AUSTRIA						
Credit Aktien (30/12/84)	199.00	197.00	196.00	196.80	199.00 (9/8)	163.98 (11/2)
BELGIUM						
Brussels SE (1/1/84)	5000.60	4994.60	4969.40	4944.50	5043.1 (9/3)	3608.35 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	223.93	224.29	226.11	227.04	227.86 (3/8)	180.68 (4/1)
FINLAND						
Unitas General (1975)	770.6	772.1	771.2	769.0	772.1 (8/8)	530.6 (15/1)
FRANCE						
CAC General (31/12/82)	359.1	358.3	359.0	358.5	368.5 (8/7)	251.3 (29/1)
Ind. Tendance (31/12/87)	134.6	134.0	134.3	134.5	137.6 (7/7)	89.7 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	492.01	495.25	491.78	489.16	495.78 (8/7)	396.40 (29/1)
Commerzbank (1/12/53)	1501.3	1510.4	1499.3	1488.7	1510.4 (8/8)	1207.9 (29/1)
DAX (30/12/87)	1196.79	1198.76	1197.38	1183.72	1199.96 (5/7)	931.18 (28/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2694.04	2659.10	2671.17	2677.37	2772.53 (12/7)	2223.56 (8/2)
ITALY						
Banca Com. Ital. (1972)	528.20	528.93	532.01	533.97	545.07 (18/3)	423.91 (9/2)
JAPAN**						
Nikkei (16/5/49)	28170.36	28253.12	28423.38	28292.66	28423.38 (5/8)	21217.04 (4/1)
Tokyo SE New (4/1/68)	2220.29	2230.79	2229.06	2232.95	2253.10 (2/8)	1690.44 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	284.8	283.4	283.8	282.1	284.8 (9/8)	205.7 (4/1)
ANP-CBS Industrial (1970)	239.3	238.6	239.1	238.4	239.3 (9/8)	157.9 (11/1)
NORWAY						
Oslo SE (4/1/83)	414.55	410.85	414.80	415.65	423.64 (21/7)	327.78 (28/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	(c)	1177.87	1172.05	1165.56	1177.87 (8/8)	833.60 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1292.0§	1307.0	1310.0	1328.0	1451.0 (7/7)	1154.0 (4/5)
JSE Industrial (28/9/78)	1656.0§	1656.0	1662.0	1677.0	1758.0 (20/7)	1387.0 (12/2)
SPAIN						
Madrid SE (30/12/85)	300.90	300.95	299.83	298.24	301.63 (15/6)	225.50 (4/1)
SWEDEN						
Jacobson & P. (31/12/56)	3052.70	(u)	3112.90	3101.50	3112.90 (5/8)	2148.5 (4/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	559.0	558.5	555.0	551.0	559.0 (9/8)	466.6 (13/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	451.5	452.6	454.5	465.2 (15/6)	401.0 (21/1)

**Saturday August 6: Japan Nikkei 28362.18 and TSE 2,230.79

§ Subject to official recalculation

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

3pm prices August 9

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
27⅞	14	AAR s	.38	1.5	18	367	25⅛	24¾	24⅞	– ½
12⅛	8⅞	ACMIn n1.30e		11.		248	11⅝	11⅜	11½	+ ⅛
12⅛	10¼	ACMSc n1.26		11.		1116	11⅛	11	11⅛	
10⅛	9	ACMSp n.17e		1.8		378	9½	9¼	9⅜	– ⅛
27¾	10½	AGS			19	69	26⅞	26¾	26¾	– ⅛
7⅞	2⅝	AMCA				14	4	3⅞	4	
6⅝	3¼	AM Intl				6061	6	5⅝	5⅞	
29⅝	17	AM Int pf	2	8.9		44	22¾	22½	22½	– ⅛
65½	26⅞	AMR			9	2689	45½	44⅝	44½	–1
27	25	ANR pf	2.67	11.		z2	25	25	25	– ¼
11⅛	5¼	ARX			11	70	8⅝	8⅜	8⅜	– ¼
70½	33⅝	ASA	3	7.6		736	40⅛	39⅝	39⅝	– ½
22⅞	9½	AVX	.05e	.3	12	660	19⅛	18¾	18¾	– ⅜
68⅞	40	AbtLab	1.20	2.6	15	5895	46	45¼	45⅜	– ¾
27⅜	15½	Abitibi g	1			151	17⅝	17⅜	17⅜	– ¼
16½	8½	AcmeC	.40	4.0		281	10½	10	10⅛	– ¼
10½	6⅝	AcmeE	.32b	4.6	50	2	7	7	7	– ⅛
20	14⅝	AdaEx	3.05e	19.		141	16⅛	15¾	16	
24⅞	7½	AMD				6206	12¾	12⅛	12⅜	– ⅜
56¼	23¼	AMD pf	3	8.0		104	38⅛	37⅝	37⅝	– ½
11¼	4⅝	Adobe				129	7⅝	7⅜	7⅜	
20¼	16¼	Adob pf	1.84	10.		4	17⅞	17¾	17¾	– ⅛
21⅜	17½	Adob pf	2.40	11.		7	21¼	21	21⅛	– ⅛
12⅞	6⅜	Advest	.12	1.3	17	125	9⅛	8⅞	9	– ⅛
64¼	39½	AetnLf	2.76	5.9	7	1612	48	47	47	– ¾
40⅝	20½	AflPb s	.20	.8	43	x801	26½	25	25⅛	– ⅞
23⅞	13	Ahmans	.88	5.7	10	702	16⅛	15½	15½	– ½

Continued on Page 37

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
36	19⅛	XTRA	.72	2.2	14	703	32⅝	32⅝	32⅝	+ ¼
29¾	19½	XTRA pf1.94		6.9		5	28	28	28	− ¼
59¾	17½	Yorkin			15	76	53⅝	53	53½	− ¼
6⅝	2⅛	Zapata				130	3	2⅞	2⅞	+ ⅛
37	13½	Zayre	.40	1.9	12	3821	21¼	20⅞	21⅛	− ½
16⅛	8⅞	Zemex	.40	3.2	46	2	12⅛	12⅝	12⅝	+ ⅜
33⅝	10	ZenithE				1752	22¼	21	21¼	− ⅞
10⅝	9½	Zenin n .15e		1.6		134	9⅞	9⅝	9⅝	− ⅛
9⅝	1	vjZenLb				212	1½	1¼	1⅛	− ⅛
21⅞	12¼	ZenNtl .80b		4.1	9	380	20	19½	19½	− ½
29⅞	11⅞	Zero	.40	2.4	15	101	17	16⅞	16⅞	− ⅛
29¾	15	Zurnin	.68	3.2	13	759	22	21	21	−1⅛
11¼	7⅝	Zweig 1.05e		10.		446	10⅝	10⅜	10⅜	− ⅞

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices August 9

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
AT&E			71	7¼	7⅝	7¼	+ ⅛
ATT Fd2.14e			x68	39	38½	38⅝	− ⅞
Acton		7	39	13¾	13	13⅝	+ ⅝
AirExp		10	70	17	16⅝	16⅝	− ¼
AlbaW			6	7⅞	7¾	7¾	− ⅛
Alfin s		16	25	3⅝	3½	3½	
Alphain			54	6	6	6	
Alza		49	426	24⅛	23⅞	23⅞	− ⅜
Amdahl	.20	13	x3077	46⅛	45⅝	45⅞	−1
Amdhl wi			42	23¼	23⅛	23⅛	
AMzeA	.52	8	8	14⅛	14⅛	14⅛	− ⅛
AMzeB	.52	7	21	13⅝	13¼	13⅝	− ⅛
AMBId			70	⅝	⅝	⅝	
APetl	1.50e	9	3	65⅛	65⅛	65⅛	− ½
APrec s	.17	38	15	16⅞	16⅝	16⅝	
AScIE		238	95	5	4⅝	4⅞	− ¼
Ampal	.05	6	5	1⅞	1⅞	1⅞	− ⅛
Andal			2	6⅛	6⅛	6⅛	+ ⅛
AndJcb			10	1⅝	1⅝	1⅝	
ArizCm			64	4⅛	4⅛	4⅛	+ ⅛
Armtrn			2	2⅜	2⅜	2⅜	
Astrotc			374	3-16	⅛	⅛	
Atari		11	367	7½	7⅜	7⅜	− ⅛
AtlsCM			17	1	1	1	− ⅛
Atlas wt			10	11¼	11	11	− ⅜

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
− D−D −							
DWG		4	372	6⅞	6½	6⅝	+ ⅛
Damson			3288	3-32	1-16	1-16	
DataPd	.16		2881	11⅛	10¾	11	− ⅛
Delmed			744	1	1	1	
Dsgntm	.18t	17	4	3⅞	3⅞	3⅞	+ ⅛
Dillard	.16	14	389	42⅛	41⅞	41⅞	−1⅛
Diodes		21	4	3⅛	3⅛	3⅛	
DomeP			8823	1⅛	1 3-32	1 7-64	
Duplex	.68	12	21	19⅞	19⅞	19⅞	+ ⅛
− E−E −							
EastnCo s.58		9	6	15	14⅞	14⅞	− ⅛
Elgin	2.90e	9	5	23⅞	23½	23½	− ⅛
EchoBy	.07	34	4089	18½	17⅞	18⅛	− ⅛
EcolEn	.18e	17	27	13	12⅞	12⅞	− ⅛
Elsinor			227	1½	1⅜	1⅜	
EmpirA	.13j		208	2⅛	2	2	− ⅛
ENSCO		12	1588	2⅛	2⅛	2⅛	
EntMkt			1028	4⅞	4½	4½	− ⅛
Espey	.40	19	3	23⅝	23⅝	23⅝	+ ⅛
− F−F −							
Fablnd	.60	10	264	25⅞	25⅞	25⅞	
Fidata		19	22	6⅝	6⅝	6⅝	
FAusPr	1.13		1781	8 15-16	8⅞	8⅞	−1-16
FWymB		18	256	14⅞	14⅞	14⅞	+ ⅛
FischP	.70t	18	119	14⅞	14½	14⅞	− ⅛

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 3pm prices August 9

[illegible]

Continued on Page 35

FINANCIAL TIMES Wednesday August 10 1988

AMERICA

Fed's surprise rates hike sparks equities sell-off

Wall Street

THE FEDERAL Reserve Board's surprise decision to raise discount rates in its continuing fight against inflation dominated trading on Wall Street yesterday, *writes Deborah Hargreaves in New York.*

The Fed's unexpected announcement of an increase in discount rates to 6.5 per cent from 6 per cent, which came like a shot in the dark early in yesterday's session, sparked a sell-off in equities, a surge in the dollar and a rally in short-term interest rates.

The Dow Jones Industrial Average was shaken from its recent torpor. By 2 pm, the index had tumbled 26.67 to 2,080.73 in strong volume.

Traders said profit-taking amid an absence of buyers was responsible for the drop, as opposed to distress selling. In spite of the selling pressure, the market was supported by an underlying sense of relief at the Fed's action after much recent speculation about the chance of the Fed pushing rates higher.

The dollar surged against other currencies and by midday was at DM1.9167 and Y134.70, up from DM1.9001 and Y133.73 at the opening.

Short-term interest rates were most affected by the move, with three-month Treasury bill yields up at 7.299 per cent.

In the bond market, the Treasury's 8.375 bond was down ⅛ at 99⅜, yielding 8.58 per cent.

The bond market saw the Fed's action as the first step in a concerted effort to push short-term interest rates higher. This was backed up by the Fed's move to drain money market funds by completing overnight matched sales. The Treasury's benchmark long bond moved down ¾ to 99⅞ to yield 9.169 per cent.

The discount rate increase came after months of subtle tightening action by the Fed to raise the key Federal funds rate in response to signs of inflation in the strong US economy.

Yesterday's action was clearly a more aggressive stance by the Fed to raise the politically-sensitive discount rate just days before the Republican party conference in New Orleans.

The Treasury began its regular quarterly refunding yesterday with the sale of $11bn of three-year notes, expected to meet strong demand from Japanese investors.

Among individual stocks, Interco, the US furniture and shoe-maker, was one of the most active movers on the New York Stock Exchange, losing $¾ to $71¾ after the company rejected a sweetened takeover offer of $70 a share from a group of investors called City Capital Associated.

Money centre banks – those based in leading financial centres – moved lower in response to the discount rate increase, which will raise their borrowing costs.

Citicorp dropped $⅝ to $24⅛, Manufacturers Hanover was down $¼ at $29⅝. Chemical Bank declined $⅝ to $32⅞ and Banker's Trust NY fell $⅝ to $38⅝.

Sears dropped $¼ to $36¼ after the largest US retailer said it would open a new chain of children's clothing stores, licensing themes from US fast food chain, McDonalds.

Houston Industries, the utility company, another active stock, dropped $½ to $31½ in dividend-related trading.

Loral, the military electronic systems company, tumbled $2⅝ to $37⅛, after gaining $3½ on Monday amid takeover rumours with Chrysler and E-Systems cited as possible purchasers.

The Limited, a specialist retail chain, dropped $⅞ to $21⅛ after reporting a sharp drop in second quarter income, while discount store chain Wal-Mart fell $⅝ to $31⅛ after posting stronger earnings.

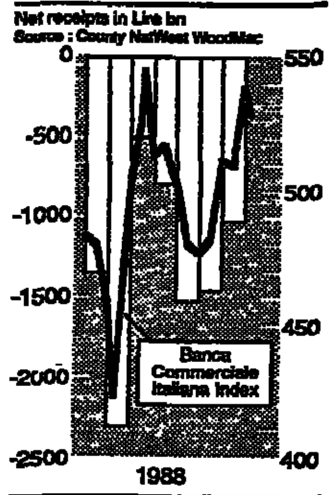
Among active issues on the American Stock Exchange, Texas Air dropped $⅛ to $11, reporting a $255.9m second quarter loss. Echo Bay Mines, the gold mining company, lost $⅜ to $18⅛.

Canada

HEAVY selling among gold issues helped drag Toronto share prices lower in active trading, with the composite index off 24.9 at 3,314.7 at midsession.

American Barrick, which announced the official opening of its Holt-McDermott gold mine near Kirkland Lake, northern Ontario, fell C$⅝ to C$22, Echo Bay dropped C$⅞ to C$21⅛ and Placer Dome declined C$⅛ to C$15⅝.

Italian mutual funds



Italian funds see situation improve

By Alison Maitland

THE PICTURE for Italian mutual funds improved further last month although redemptions were still three times higher than the amount of new money coming in.

The net outflow from the funds was L1,024bn ($730m), compared with L1,455bn in June and L1,536bn in May.

The funds reached a low point in February this year when net redemptions hit a record L2,304bn. They recovered sharply in March and April, only to see heavy redemptions again in May when the market turned weaker.

Last month's figures show that new money into the three categories of funds – bond, equity and mixed – rose only 1.5 per cent over June to L475bn, while redemptions decreased by 22 per cent to L1,499bn.

A further breakdown of the figures reveals that equity funds are coping the best. New money into these funds was L168bn, almost half the redemptions figure of L373bn. This compares with June's L121bn inflow and L443bn outflow.

Bond funds did less well than equity ones in July, with an inflow of L185bn and an outflow of L532bn, while the mixed funds came off worst, with only L122bn of new money and L594bn of redemptions.

Mr Enrico Ponzone, analyst with Kleinwort Grieveson Securities, pointed out that the Italian stock market had performed well since June and said the tiny increase in new funds showed how long it took for small investors to be convinced of good news.

At County NatWest WoodMac, Mr Paolo Cosmano said persistent redemptions, even in equity funds, were not necessarily bad news, given the market's rally. "The bulk of units were bought two to three years ago for L10,000 to L12,000 per unit and now most are far above that level. People are taking the opportunity of a strong market to realise their profits."

Meanwhile, he said, individuals were putting new money directly into the market for the first time in two years, while others were investing in a spate of new, specialised funds due to be launched in September.

EUROPE

Amsterdam edges up against trend

EXCITEMENT about half-year results pushed Dutch stocks slightly higher and takeover stories underpinned Paris, but weakness in the dollar and Wall Street dampened other bourses, *writes Our Markets Staff.*

AMSTERDAM moved to new 1988 highs in the run-up to the rash of results due today and tomorrow from large corporations, boosting institutional demand and helping to take the CBS index up 0.3 to 100.7.

Banks saw good demand with Amro, which is expected to produce a 10 per cent rise in earnings per share today, up 80 cents at Fl 81.80.

KNP, Royal Dutch and KLM all report tomorrow. Paper maker KNP, expected to announce 40 per cent higher interim profits, was steady at Fl 171. Royal Dutch added Fl 2 to Fl 248.20 and KLM ended unchanged at Fl 37.40 amid reports that first quarter figures would be sharply lower.

Heineken saw renewed takeover rumours after climbing to a high for the year of Fl 156, a gain of Fl 4.70, in heavy trading. The brewer said it had not been approached and was not interested.

PARIS saw renewed speculative activity in the drinks sector following news that GrandMet of the UK could be on the prowl again after raising over £1bn from the sale of its hotels division.

Turnover nevertheless remained low – it plummeted to FFr555m on Monday – and share prices ended little changed after being pulled off their day's highs by news of the ½ point increase in the US discount rate.

Perrier, Pernod and BSN were all posited as possible candidates for a takeover by GrandMet, which failed last January to win French cognac maker Martell. Perrier rose FFr30 to FFr915, with a heavy 79,200 shares traded, while Pernod added FFr2 to FFr1,022. Foods group BSN, which produces Evian and Badoit mineral waters along with Lanson and Pommery champagne, climbed FFr18 to FFr4,980.

French analysts in London were sceptical about the likelihood of a bid for any of the three from GrandMet. One called it "wishful thinking", saying a more likely scenario would be a link-up between Perrier and Pernod.

The CAC index was 0.8 higher at 359.1 and the OMF 50 index ended the day just 0.19 higher at 355.67.

FRANKFURT suffered from a further shrinkage in turnover, due partly to the holiday season and partly to a computer breakdown which meant some share prices were unavailable to traders abroad.

A weaker dollar at the fixing also dampened the mood, although there were some limited blue chip gains. The FAZ index eased 3.24 at midsession and the DAX real time index ended 1.97 lower at 1,196.79. Turnover was squeezed to DM1.7bn, one of its worst days in recent months.

Pharmaceutical Schering slipped 20 pfg to DM519.80 after reporting a 5 per cent rise in first half group earnings, roughly in line with expectations.

Nixdorf, the computer company, finished DM4 lower at DM450 after falling DM18. It announced an 11 per cent increase in interim turnover but described the profits situation as unsatisfactory. The market was surprised, one analyst said, by news of an 11 per cent rise in staff and a 17 per cent rise in personnel costs when Nixdorf had said after its 1987 results that there would be no such increases.

Construction stocks performed well amid speculation they may win big orders if peace is achieved in the Gulf region. Holzmann gained DM8.50 to DM440 and Hochtief added DM1.50 to DM479.50.

Chemicals Bayer and BASF were the most actively traded stocks as investors bet on good results in the wake of Hoechst's last week. Bayer was off DM1.40 at DM299.30 and BASF added 50 pfg to DM266.

Bonds edged up on the D-Mark's better tone and the yield on the 1998 federal bond eased to 6.72 per cent from 6.74 per cent.

ZURICH was hit by the overnight fall in New York and the easier dollar, with the Crédit Suisse easing 1.9 to 479.1.

Profit-taking appeared again among smaller insurance stocks, with La Suisse registered losing SFr450 to SFr11,975 after Monday's news that Saurer-Gruppe had withdrawn its SFr14,000-a-share offer. Rentenanstalt's rival offer worth SFr12,000 a share is being recommended by the La Suisse board.

Employment agency Adia, which rose 9 per cent last week after featuring on buy lists, saw its bearers run into profit-taking, off SFr25 at SFr9,350.

MILAN ended easier but off its lows in thin trading estimated to be little more than Monday's L70bn. The Comit index shed 0.73 to 528.20 as profit-taking continued in the run-up to next week's close of the monthly account.

BRUSSELS was sluggish, with only steel and engineering stocks breathing life into the market.

The continued ascent of steelmaker Cockerill took the company up BFr17 to BFr318 on moderately heavy volume of 108,000 shares. Clabecq rose BFr16 to BFr1,084, but Arbed was unchanged at BFr2,740.

STOCKHOLM ended an uncertain session lower, discouraged by declines on foreign markets and an absence of positive domestic news. Trading was extended by half an hour because of earlier computer problems. The Affärsvärlden index fell 7.6 to 886.9.

MADRID ended little changed, in spite of strong demand towards the close, as losses on Wall Street and in Tokyo dampened trading.

The general index eased 0.05 to 300.90, with utilities proving the best performers. Chemicals and construction stocks – recent gainers – lost ground.

London

THE HALF-POINT increase in the US discount rate yesterday took London by surprise, causing equities to fall.

Early losses on Wall Street left international stocks sharply lower, with Glaxo, ICI and BOC, which is due to release third-quarter figures today, all moving down.

The FT-SE 100 index dropped 13.4 to 1862.6.

The market profile series resumes tomorrow with a look at Athens.

Germany's battle of the indices intensifies

WEST GERMANY'S "battle of the indices," which started with the introduction last month of the new real-time Deutsche Aktienindex (DAX), has taken a further turn with the news that Commerzbank is refining its long-established product, *writes Haig Simonian in Frankfurt.*

The Commerzbank index of 60 leading German shares is soon to be based on closing prices on the Frankfurt stock exchange, rather than the Düsseldorf exchange as at present. No precise date has been given for the changeover, which further confirms the consolidation of German equity trading in Frankfurt, but it will be within the next few weeks, according to the bank.

More important, the Commerzbank index, which is the oldest of its kind in West Germany, is to be beefed up with a variety of new spin-offs.

Among these are a number of new services to customers, including the expression of indices in foreign currency terms for international investors who want to judge the performance of German equities in terms of their domestic currencies.

Commerzbank also plans to make its composite index and its sectoral indices easier to compare.

The composite index is based on December 1953 prices (=100), while the sector indices are recalculated every year (=100). Additional data for the sectoral indices will now be made available, using end-December 1987 as the base point, allowing customers to be given the performance for the sectoral indices over a much longer span, without the annual recalculation.

Average rates for a given index over a specified timespan will also be available and tailored to individual requirements.

Finally, the bank is introducing a group of "performance indicators" for the shares that make up its indices. The indicators, based, for example, on forecasts for price-earnings ratios or dividend yields, will project how a given index might perform in future.

ASIA PACIFIC

Speculative stocks create only highlight of dull day

Tokyo

BUYING interest remained weak in Tokyo yesterday with no market leaders emerging to set the stage for a summer rally, leaving share prices lower for the third consecutive session, *writes Shigeo Nishiwaki of Jiji Press.*

Only speculative stocks aided by specific incentives remained popular.

The Nikkei average lost 82.76 to 28,170.36 after moving between a high for the day of 28,295.18 and a low of 28,126.08. [illegible] to 664.3m shares, slipping below 1bn shares for the ninth session in a row.

In London, Japanese shares turned up, with the ISE/Nikkei 50 index putting on 2.01 to 1,867.57.

In Tokyo, the market disregarded news that the date for the Iran-Iraq ceasefire had been fixed, indicating it will remain sluggish unless backed by unusually strong factors.

While leading issues were dull, incentive-backed stocks saw good demand. Canon gained Y130 to Y1,520 after reports of a sharp increase in interim pre-tax profits.

Some traders, however, were disappointed at the small size of Canon's gain, while others said they expected buying interest to spread to other high-technology issues as well.

Stocks related to redevelopment of waterfront areas continued to gain, with Keisei Electric Railway surging Y120 to Y2,240 and Keihin Electric Express Railway Y70 to Y1,480.

Some department store and supermarket operators, by contrast, plunged after recent rises on rumours of speculative buying. Nagasakiya plummeted Y1,000 to Y6,050, Chujitsuya Y800 to Y6,190 and Matsuzakaya Y700 to Y5,500.

Kawasaki Steel, the previous day's most active stock with more than 100m shares traded, retained the busiest slot. It closed down Y2 at Y757 after matching its July 25 peak of Y769 briefly in the morning.

Bonds moved within narrow limits with few market-moving factors to go on, and dealers [illegible] of crude oil prices sparked by news that a Gulf War ceasefire date had been set.

The yield on the benchmark 5.0 per cent government bond maturing in December 1997 declined slightly from the previous day's 5.040 per cent finish to 5.020 per cent.

Equities on the Osaka Securities Exchange kept slipping, with the OSE stock average down 24.71 at 27,401.69. Turnover shrank by 680,000 shares to 69.4m.

Nippon Dream Kanko dropped Y110 to Y1,670 on Daiei's capital participation in the theatre operator.

Roundup

RECORD highs were reached again in Australia and Taiwan, but Hong Kong was hit by interest rate fears and ended lower. Singapore was closed for a national holiday.

AUSTRALIA picked up after a slow start to the day, ending at another post-crash high as local and foreign investors boosted buying.

The All Ordinaries index added 13.8 to 1,657.8 in spite of lower bullion prices and weakness on other world markets.

Expectations of strong profits pushed Coles Myer up 40 cents to A$10.90 and Lend Lease up 30 cents to A$15.20.

Industrial Equity rose 2 cents to A$1.88, with 1.1m shares traded, while takeover target Howard Smith found 10 cents to A$3.80 and Adsteam, which has a large stake in Howard Smith, climbed 10 cents to A$7.00.

Concern over high gearing at News Corporation, following its purchase of Triangle Publications of the US, took the stock down 25 cents to A$10.75.

HONG KONG was taken lower by concern over the possibility of interest rate hikes and by weaker share prices in Tokyo, with the Hang Seng index closing down 25.06 at 2,634.04, but off the day's lows.

Domestic interbank rates firmed yesterday, fuelling fears that local interest rates would rise by between ¼ and 1 percentage point from the current 9 per cent.

The news hit properties and utilities, with Cheung Kong losing 5 cents to HK$7.55 and Sun Hung Kai Properties 10 cents to HK$10.70.

TAIWAN saw its weighted index soar through the 7,000-mark for the first time, with demand for paper, plastic and textile stocks helping to boost the index by 121.45 to a record 7,120.09.

SOUTH AFRICA

INVESTOR malaise hit trading and left share prices drifting in Johannesburg yesterday, with the market ending little changed from Monday.

The weaker bullion price took Vaal Reefs R3 lower to R279 and Freegold off 25 cents to R29.25. Diamond issue De Beers gained ground, rising 25 cents to R39.

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY AUGUST 8 1988					FRIDAY AUGUST 5 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (89)	149.34	-0.4	130.47	124.21	3.60	149.87	131.25	124.01	150.71	91.16	151.63
Austria (16)	85.17	-0.2	74.41	83.96	2.47	85.37	74.76	83.86	98.18	83.72	94.61
Belgium (63)	112.74	-0.6	98.49	112.04	4.50	113.38	99.29	111.98	139.89	99.14	126.84
Canada (129)	122.63	-0.6	107.14	107.49	3.12	123.33	108.00	107.70	128.91	107.06	139.57
Denmark (39)	121.50	-1.8	106.14	119.84	2.42	123.68	108.31	120.95	132.72	111.42	112.00
Finland (26)	127.77	-0.4	111.63	120.13	1.43	128.26	112.32	119.81	139.53	106.78	–
France (129)	91.37	-0.6	79.82	91.90	3.53	91.96	80.53	92.07	99.62	72.77	103.90
West Germany (100)	75.12	+0.3	65.62	74.28	2.49	74.92	65.61	73.73	80.79	67.78	101.81
Hong Kong (46)	108.30	-0.3	94.62	108.52	4.24	108.60	95.10	108.85	111.86	84.90	142.07
Ireland (18)	131.38	-0.4	114.77	130.78	3.64	131.94	115.54	130.60	144.25	104.60	130.98
Italy (102)	71.19	-1.1	62.19	74.58	2.70	71.95	63.00	75.01	81.74	62.99	87.09
Japan (456)	165.91	-0.3	144.95	140.27	0.51	166.36	145.69	140.55	177.27	133.61	138.33
Malaysia (36)	154.17	+0.3	134.69	156.87	2.34	153.69	134.59	156.27	154.17	107.83	192.43
Mexico (13)	154.38	-1.4	134.88	386.21	1.41	156.65	137.18	391.86	180.07	90.07	290.51
Netherland (38)	106.54	+0.1	93.08	104.42	4.43	106.39	93.17	103.80	110.66	95.23	127.88
New Zealand (21)	81.19	+0.0	70.93	64.57	5.85	81.19	71.10	64.94	84.05	64.42	113.94
Norway (25)	118.83	-0.7	103.82	111.17	2.71	119.67	104.80	111.14	132.23	98.55	166.91
Singapore (26)	135.89	+1.0	118.72	127.84	2.03	134.57	117.84	126.94	135.89	97.99	171.00
South Africa (60)	114.89	-0.1	100.37	89.69	4.72	115.00	100.71	89.78	139.07	113.61	175.87
Spain (43)	148.44	+0.3	129.69	140.07	3.23	147.97	129.58	139.34	164.47	130.73	141.59
Sweden (35)	116.43	-1.7	101.71	112.07	2.55	118.44	103.72	113.44	125.50	96.92	119.80
Switzerland (55)	78.46	-0.5	68.55	77.34	2.21	78.87	69.06	77.25	86.75	75.60	105.06
United Kingdom (325)	133.17	+0.2	116.34	116.34	4.32	132.85	116.34	116.34	141.18	123.09	143.24
USA (580)	110.12	-0.3	96.21	110.12	3.60	110.50	96.77	110.50	112.47	99.19	133.70
Europe (1014)	105.48	-0.1	92.15	98.76	3.67	105.54	92.42	98.67	110.82	97.01	120.65
Pacific Basin (674)	163.00	-0.3	142.40	138.30	0.71	163.44	143.13	138.55	172.26	130.81	138.93
Euro-Pacific (1688)	140.00	-0.2	122.31	122.53	1.61	140.29	122.85	122.66	147.53	120.36	131.68
North America (709)	110.78	-0.4	96.78	109.97	3.57	111.18	97.36	110.35	113.29	99.78	134.01
Europe Ex. UK (689)	88.32	-0.3	77.16	87.84	3.09	88.59	77.59	87.69	92.99	80.27	106.65
Pacific Ex. Japan (218)	127.98	-0.2	111.81	113.65	3.79	128.27	112.33	113.63	128.27	87.51	146.37
World Ex. US (1890)	139.16	-0.2	121.58	121.81	1.68	139.46	122.13	121.94	146.49	120.26	132.54
World Ex. UK (2145)	127.40	-0.3	111.30	117.88	2.10	127.80	111.91	118.12	131.77	111.77	131.95
World Ex. So. Af. (2410)	127.98	-0.3	111.81	117.91	2.29	128.31	112.36	118.13	132.39	113.26	132.67
World Ex. Japan (2014)	109.68	-0.2	95.82	106.24	3.63	109.95	96.29	106.43	112.43	100.00	130.40
The World Index (2470)	127.90	-0.3	111.74	117.72	2.30	128.23	112.29	117.94	132.38	113.37	132.94

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ index), 90.791 (Pound Sterling) and 94.94 (Local).

Latest prices were unavailable for this edition.